

HOUSING ELEMENT
FOR THE
CITY OF MILPITAS

GENERAL DEVELOPMENT PLAN

Recommended for Approval by
the Milpitas Community Advisory
Commission on May 2, 1984

Recommended for approval by
Milpitas Planning Commission
on September 20, 1984

Adopted by Milpitas City
Council on November 20, 1984

II. HOUSING ELEMENT (Revised November 20, 1984)

AUTHORITY AND SCOPE

GENERAL

The powers and duties of California local governments with respect to housing are defined by both state and federal law.

State law declares the early attainment of a decent home and a satisfying environment for every Californian to be a priority of the highest order and requires each locality to develop a Housing Element as part of the general plan which makes "adequate provision for the housing needs of all economic segments of the community."

The United States Housing and Community Development Act of 1974, similarly, gives local governments a central role in assessing community housing needs and in determining how federal community development funds should be spent.

In addition, California Community Redevelopment and Housing law requires Redevelopment Agencies to use at least 20 percent of all tax increment revenues for increasing and improving the City's supply of low and moderate income housing.

Beyond these responsibilities, California cities and counties have broad policy-making and enforcement powers which enable them to encourage development of various types of housing and to regulate community growth. State law further provides that local governments may not discriminate against housing intended for low-income persons.

HOUSING ELEMENT AUTHORITY

Housing Elements must be prepared in conformance with California Government Code Sections 65580-89 which requires that the Housing Element contain the following subject areas:

1. The evaluation of local housing needs and an analysis of constraints affecting the ability to the marketplace to meet these needs.
2. The identification of community housing goals, objectives and policies.
3. The identification of existing and proposed housing programs and activity areas to meet local housing needs and goals.

BACKGROUND

The previous Housing Element, revised in 1981, provided a thorough analysis of the regional housing market and its impact on housing in Milpitas. The local housing need was identified and goals, with policies and action statements, were established to address those needs and the desires of the community. The housing programs delineated to meet the local need were implemented to the extent possible with quantifiable results outlined in Table 12.

The present revision of the Housing Element updates the housing market discussions and demographic information previously provided. The analysis of housing need likewise has been revised and a detailed description of Milpitas housing programs and activities, to address those needs, has also been added to the Housing Element. The original adoption and later revisions of the Housing Element were made with public participation at public hearings and workshops.

ORGANIZATION

The Housing Element is organized into six basic parts. The first section will provide a background description of the housing market nationally and regionally to set the stage for considering the Milpitas housing situation. The "Area-Wide Housing Context" will not only describe the existing housing market, but will also discuss past and present factors that affect housing and how these factors, in turn, impact housing in Milpitas. The second section of the Element will present a "Community Profile" describing existing and projected demographic and land use characteristics of Milpitas. "Housing Need" will be discussed in the following section and will identify the needs of special population groups and the anticipated housing needs of the community by 1989. Section Four "Governmental Constraints" will present constraints to developing more affordable housing that are and are not existing in the City of Milpitas. The fifth section, "Housing Concerns and Goals" will establish housing goals based on identified community housing needs. Policies and actions to guide and aide in the implementation of the goals will also be presented. Lastly, the final section, "Housing Programs," will describe projects and programs that will contribute to meeting the projected housing need and established housing goals for the City.

SECTION I

AREA-WIDE HOUSING CONTEXT

INTRODUCTION

The San Francisco Bay Area in recent years has experienced a drastic surge in the demand and cost of housing. Figure 1 illustrates the dramatic rise of the Consumer Price Index for homeownership and residential rents (as well as the overall index for all items) in the Bay Area since 1960.

Within the Bay region, Santa Clara County is an area where housing problems have been particularly acute. For instance, in the period between 1970 and 1980, the purchase price of a new home in Santa Clara County increased fourfold to finally reach the median price of \$133,400. Due to the national recession, however, the housing industry suffered a significant slowdown and in 1983, the median new home price in Santa Clara County is only \$127,000.

The conditions and circumstances that have affected or are presently influencing the regional and county-wide housing markets also affect, to greater or lesser degrees, the Milpitas housing situation. This section of the Housing Element will describe these contributing factors and discuss their affect and eventual consequences on the regional and local housing markets.

HOUSING DEMAND

Most of Santa Clara County is experiencing a demand for housing units that is greater than the current housing stock. Furthermore, it appears that this demand will be growing faster than the increase in housing supply. This demand for housing is directly related to employment growth, demographic changes, housing speculation, lending practices and lower construction rates.

Employment Growth

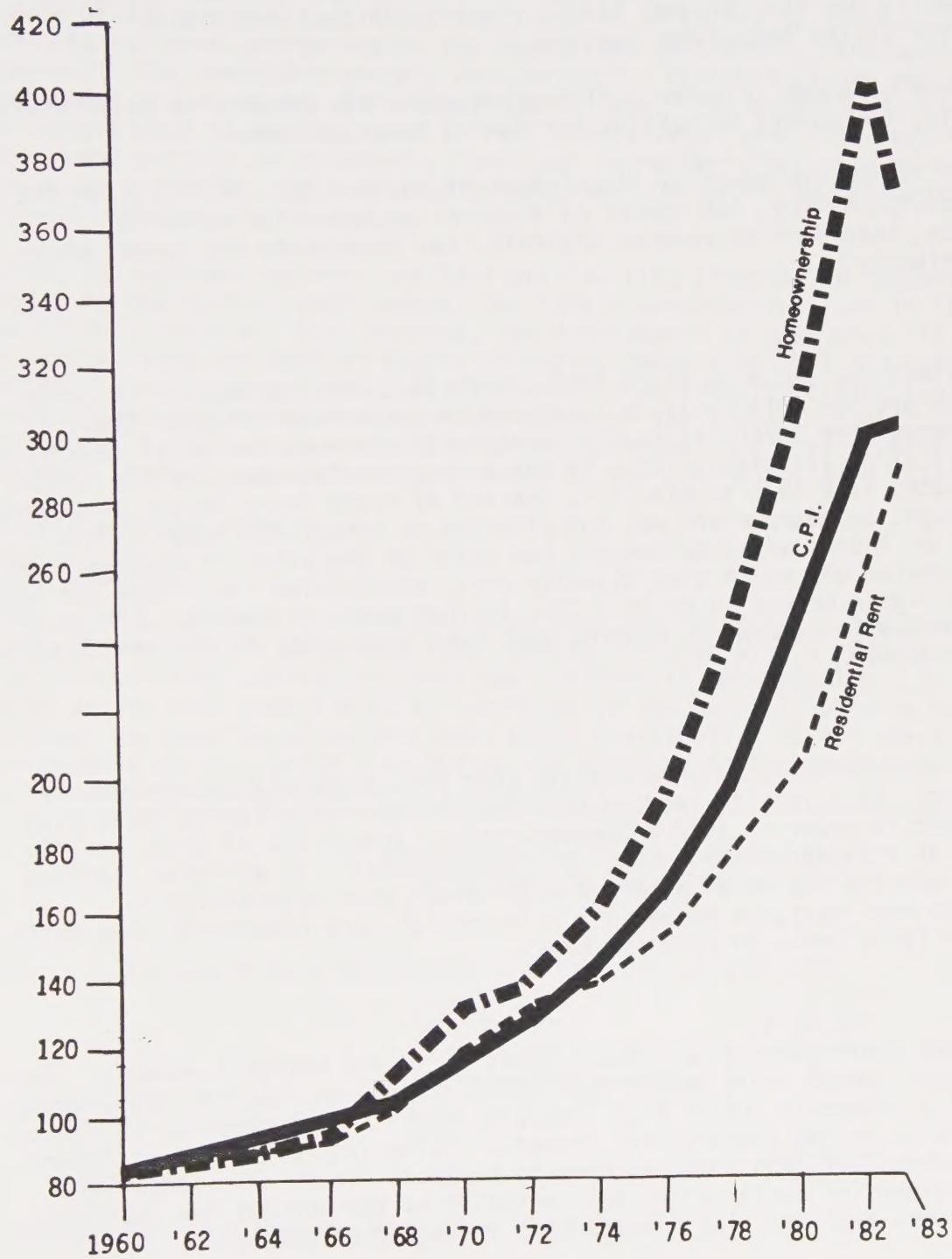
Employment growth affects the demand for housing in two ways: 1) An increasing number of County residents, particularly women, have entered the labor market resulting in a growing number of two-wage earner households. These households, because of their increased incomes, are able to pay more for housing and thus exert upward pressure on the housing market; 2) Many of the jobs that have been filled by immigrants to the County are well paying professional jobs. These relatively affluent new County residents exert further pressure on the housing market.

Demographic Changes

During the late 1940s and throughout the 1950s there was a marked increase in fertility rates. These "Baby Boom" individuals are now in their twenties and thirties, an age when people typically enter the homeownership market. Because this age group comprises such a large proportion of the total population, the housing demand generated by it is considerable.

In addition, declining household size has resulted in an increased demand for housing from the same size population. County-wide in 1960 there were 3.36 people per household, in 1980 there were an estimated 2.76 people per household, and by 1990 it is expected that the average household size for Santa Clara County will be only 2.41 persons. Thus it will take more housing units to accommodate the same number of people.

Figure 1
CONSUMER PRICE INDEX CHANGES, 1960-83
SAN FRANCISCO SMSA



NOTE:

1. All Index numbers are relative to base year 1967 at 100
2. Years 1960-77 based on Urban Wage Earners and Clerical Workers (C.P.I.-W). Years 1978-83 based on all Urban Consumers (C.P.I.-U).

Several factors contribute to declining household size:

- 1) The population in general is aging and it is expected that this trend will continue for at least the next decade. These elderly households are generally smaller than other households thereby forcing down the average household size throughout the County. In addition, the "empty nest" phenomena is becoming more prominent. People who settled in the County during 1950s and 1960s and raised families are now occupying the same unit that used to be occupied by a larger family unit.
- 2) In recent years, young adults have been staying single longer. These typically young, single people who have minimal family responsibilities constitute a significant factor in the demand for housing.
- 3) The fertility rate of women in prime childbearing years has dropped to an all-time low. As a result, two-parent households are having fewer children.
- 4) The final factor is the incidence of dissolution of households. In 1976, for the first time in County history, the number of divorces exceeded the number of marriages. Often, when married couples separate, two households are formed where one existed previously.

Speculation

In the 1970's many investors chose to place their funds into housing because it could bring a higher return and was relatively well secured in comparison to other types of investments. Many homes were purchased in the County with the expectation of reselling them in a short while at an inflated price. It has been estimated that, at the height of the speculative boom, late 1975 to mid-1977, one out of every three houses purchased in the County was bought by someone who was not planning to occupy the house. This speculative purchase of houses added to demand, and drove up the price of housing. In addition, young households who would traditionally rent, accelerated their home purchases to avoid paying even higher prices later on. This further added to demand. (It should be noted that speculative investment in housing does keep some units on the rental market that would otherwise not be.)

Lending Practices

In the 1970's, house prices escalated more rapidly than both household income and the overall cost of living. As a result, lending institutions are now allowing households to go further into debt in order to afford homeownership. Today, 33% of gross monthly income is considered an acceptable percentage for housing costs. In addition, lending institutions now include the income of a second wage earner when determining a household's ability to meet mortgage payments. This enables more households, who would otherwise not qualify for a loan, to purchase homes.

Construction Rate

The construction of new housing has always been sensitive to the national economy. Even during the high consumer demand years before the 1980-82 recession, housing construction rates remained sluggish primarily due to high interest rates. The recession, of course, struck a staggering blow to the construction industry. With interest rates at record highs, the "carrying-costs" of land made new housing projects financially infeasible. Recently, however, residential construction has increased as the economy has improved and more money has become available for construction loans and mortgages.

Another factor that has influenced housing construction rates recently, and will continue to have an even greater affect in the next few years, is the amount of land available for residential development. Prime residential land is limited by local governmental land use decisions, thereby limiting the number of new housing units that can conceivably be produced. In addition, primarily due to the after affects of Proposition 13 on local government financing, communities have become increasingly concerned about their financial ability to provide municipal services. Not surprisingly, they are often unwilling to allow additional residential development in outlying areas that may require the extension of existing City services. In those cases where housing projects do require new city services and facilities, their initial costs are usually borne by the new dwelling units resulting in an increased purchase price. Lastly, when housing has been constructed on the choice and most easily developed land within a community the remaining parcels designated for residential use may be more time consuming and expensive for a developer to use. The development of infill parcels can be complicated by difficulties in land acquisition (sometimes requiring that several different parcels be obtained), "problem" characteristics related to topography, shape or size, or public concerns usually generated by owners or occupants of adjacent and already developed property.

While the national economy and land availability affects the construction rate of all types of residential development, the rental construction rate is further impacted by additional factors. For instance, the development of apartments is affected by higher interest rates and more stringent financing terms than that required for single-family project construction loans. Also, the building industry claims that acceptable market rents have not increased high enough to cover the costs of constructing a new apartment complex. Lastly, prospective landlords claim that the ever present possibility of rent control in most communities contributes to the risk associated with apartment investment.

MARKET & INCOME TRENDS

New Home Costs

The rapid escalation in housing prices that has occurred in the County between 1975 and 1981 was the result of strong local demand, coupled with a reduction in available residential land and insufficient new residential construction. In addition, rising home prices have been fueled by increases in the cost of building materials, labor, finance and profits which have been major contributors to the overall nationwide increase in housing costs. Table 1 estimates the existing cost breakdown in constructing a single-family house in Santa Clara County:

TABLE 1
PRODUCTION COSTS FOR A SINGLE-FAMILY
RESIDENCE IN SANTA CLARA COUNTY
MAY 1983

For a 1,550 square foot house with a total cost of \$107,265:

Improved Lot	\$ 35,424
Direct Construction	39,431
Indirect Construction	3,571
City Fees	3,319
Other*	25,520
	<hr/>
	\$107,265

Source: San Jose Mercury News, May 21, 1983

*Construction finance cost, sales cost, builder fee

In addition, interest rates on conventional home purchase loans have experienced a gradual increase in past years and significantly affected the affordability of new homes. In early 1972, the lowest rate generally available on a 30-year, 80% mortgage was 7%. By January 1979, the lowest available rate for a similar loan was 10-3/4%. By July, 1981 loan rates had skyrocketed to 17 and 18%. Since that time, however, interest rates have come down to between 9.75 and 13.50, when combined with an 80% adjustable or graduated rate mortgage.

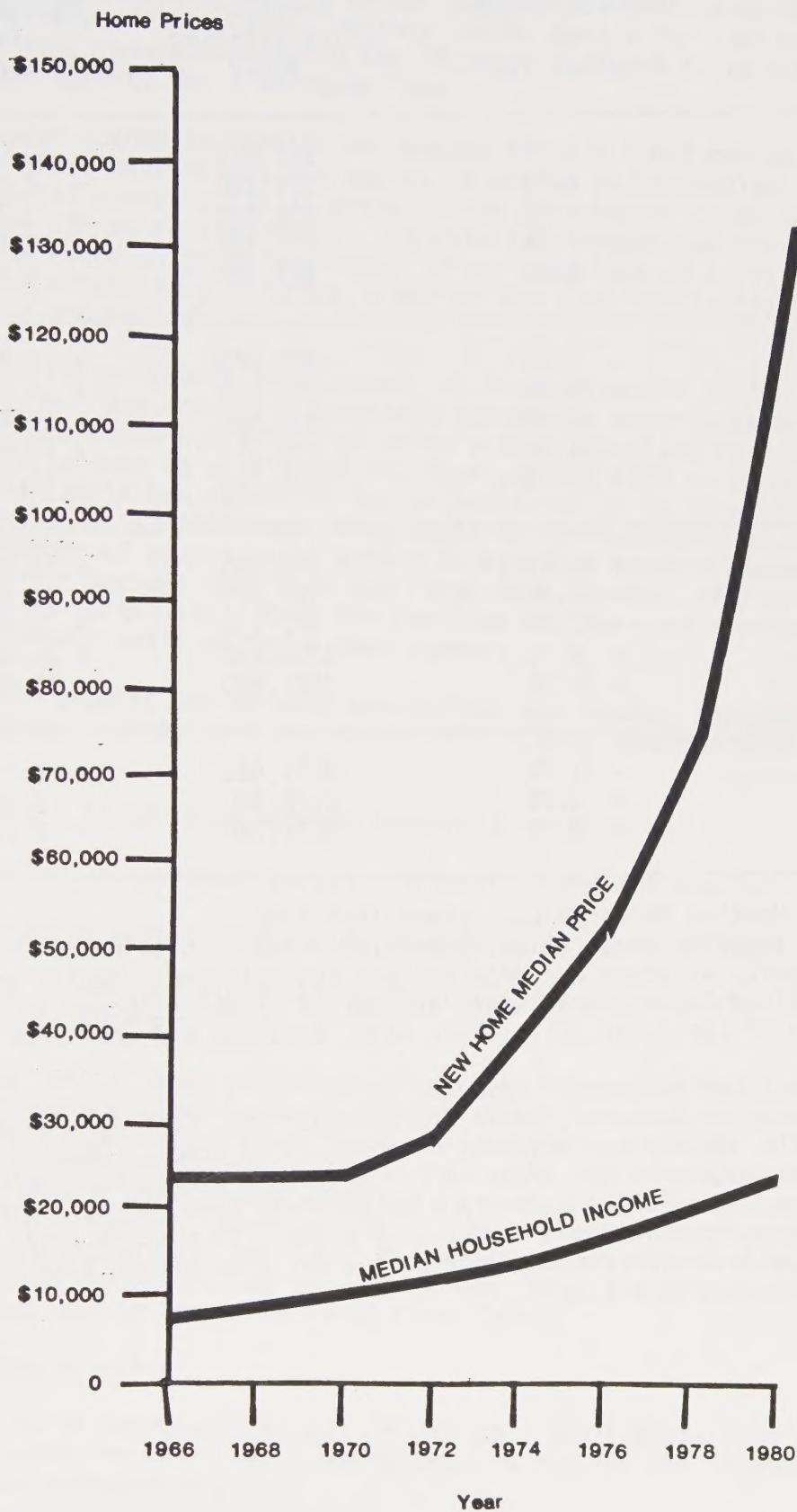
These higher interest rates affect home costs in two significant ways. First, higher interest rates add to construction costs, since home builders and contractors must borrow money in order to finance construction. Second, higher interest rates have a substantial effect on the buyer's monthly payments.

Homeownership Affordability

Between 1966 and 1970, the cost of a median priced new home increased from \$24,000 to \$24,500, a two percent increase. The corresponding rise in annual median household income in the County was from \$8,663 to \$11,282, a 30 percent increase. During this period, a majority of households could afford to buy and maintain a median priced new home. In 1972, this trend was dramatically reversed as new home prices began to increase at a faster rate than income. From 1970 to 1980, housing prices rose from \$24,500 to \$133,400 a 444% increase, while median income rose only 106% from \$11,282 to \$23,370. Thus, more and more households were priced out of homeownership. This relationship is displayed in Figure 2.

In the past, existing homes were relatively less expensive than new homes and therefore were a source of housing for those households who could not afford new housing. However, as the demand for housing has increased, existing homes have commanded higher and higher prices. This can be illustrated by comparing the annual percent change in prices between new and existing homes (Table 2: note that the actual dollar amounts cannot be directly compared since new home prices are medians and existing home prices are averages). It should be particularly noted that for the years 1975 through 1979 the percent change in prices for existing homes has surpassed that of new homes. As the price of existing homes has escalated, this traditional source of lower cost housing affordable to households with moderate means has been diminished.

FIGURE 2
MEDIAN HOUSEHOLD INCOME AND MEDIAN NEW HOME PRICE
OCCUPIED IN SANTA CLARA COUNTY
1966-1980 (DECEMBER)



SOURCE: U.S. Census, County Special Census, Building Industry Assoc.

TABLE 2
PRICES OF NEW AND EXISTING HOMES
SANTA CLARA COUNTY 1966-1983 (DECEMBER QUARTERS)

Year	Median Price ¹ of New Homes	Percent Change from Previous Year	Average ² Price Existing Homes	Percent Change from Previous Year
1966	\$24,000	--	\$22,910	--
1967	\$25,600	+ 6.7%	\$24,780	+ 8.2%
1968	\$24,800	- 3.1%	\$25,690	+ 3.7%
1969	\$26,700	+ 7.7%	\$27,780	+ 8.1%
1970	\$24,500	- 8.2%	\$27,650	- 0.5%
1971	\$24,300	- 0.8%	\$28,660	+ 3.7%
1972	\$29,200	+ 20.0%	\$31,160	+ 8.7%
1973	\$33,800	+ 15.8%	\$34,390	+ 10.4%
1974	\$42,000	+ 24.3%	\$38,510	+ 12.0%
1975	\$48,600	+ 15.7%	\$44,760	+ 16.2%
1976	\$54,800	+ 12.8%	\$54,500	+ 21.8%
1977	\$71,400	+ 30.3%	\$71,410	+ 31.0%
1978	\$76,900	+ 7.7%	\$77,120	+ 8.0%
1979	\$83,600	+ 8.7%	\$100,290	+ 30.0%
1980	\$133,400	+ 59.5%	\$121,980	+ 21.6%
1981	\$118,500	- 11.2%	\$131,880	+ 8.1%
1982	\$122,500	+ 3.4%	\$128,820	- 2.3%
1983	\$127,000	+ 3.7%	\$131,780	+ 2.3%

¹Source: Harrington Housing Research Co., years 1966-1980
Building Industry Association, years 1981-1983 (Median price includes single-family attached and detached and condominiums. Median price covers all of Santa Clara County and may be slightly skewed by inclusion of Los Altos Hills, Palo Alto, Saratoga and Los Gatos prices).

²Source: San Jose Real Estate Board. Based on sales.
Covers areas of San Jose, Santa Clara, Cupertino, Campbell, Milpitas, Morgan Hill, Gilroy and adjacent unincorporated areas. Because the Board does not serve the areas of Los Gatos, Saratoga, Sunnyvale, Los Altos, Los Altos Hills, Mountain View and Palo Alto, areas of the County where home prices are generally higher, it must be noted that on a County-wide basis existing home prices would be higher than those prices reported in column 4.

In the past, it has been considered affordable for a household to spend up to 25 percent of its gross monthly income for shelter. Expenditures of more than 25 percent were considered overpaying. In considering a household's ability to afford housing, lending institutions and landlords used this proportion as a guideline. As the cost of housing in the County has spiraled, it has become necessary for households to spend as much as 33 percent or more of their gross monthly income to pay for shelter. Most lending institutions now appear to be using the 33 percent figure in determining whether households can qualify for a mortgage loan.

Middle and upper income households who exceed the 33% limit may do so as a matter of choice. For these households, overpaying is not an acute problem. However, lower income households spending 33% of gross income for shelter costs may be straining their ability to pay for other essentials. It should be remembered that the 33 percent figure for housing is based on gross earnings. After deducting at least an additional 10 to 25 percent for withholding of taxes, a worker may have little left for food, clothing, transportation and medical care.

As home prices in the County have soared, so has the amount of the down payment required to purchase them. Not only is a household faced with monthly payments of \$1,124 for a \$127,000 new home (1983 County median price with a 13% fixed rate 30 year mortgage), but it must initially come up with a \$25,400 down payment (20% on a conventional mortgage). In addition, a family can expect to pay an estimated 2% to 3% of the sales price for closing costs; on a \$127,000 home, this would be approximately \$2,500 to \$3,800. A substantial number of people could afford to make the monthly payments involved in homeownership but because they lack the large down payment, they are forced out of the market. This is particularly true for families who have not previously owned a home and thus have no equity built up for a down payment.

In spite of the growing gap between home prices and income, households are finding ways to purchase homes. Homebuyers are coping with rising homeownership costs in several ways.

- a. Having a higher than average household income.
- b. Spending an increased percent of their income for shelter.
- c. Leveraging past-earned equity as a means of lowering housing costs.
- d. Using "creative" financing techniques to temporarily reduce the monthly mortgage payment.

Data indicates that a large percentage of current homebuyers have joint incomes or were previous homeowners with past-earned equity. These trends seem to indicate that the prospect of future homeownership will be limited to the affluent or those who purchased a home prior to 1980 and thereby capitalized on the rapidly increasing home values during that period. Should these trends continue in Santa Clara County, we can expect to see a two-tiered housing market. Homeownership will be limited to those with extremely high incomes or those who already own their own homes. Most other households will be forced to either live in rental housing or spend a very large proportion of their income for housing, if they are to remain in Santa Clara County.

Benefits of Homeownership

If the prospects of homeownership are limited to a small proportion of County residents, a great many County residents will not be able to realize the financial advantages associated with homeownership.

One of the strongest financial incentives to owning a home is the income tax deduction given on mortgage interest and property taxes paid by a homebuyer. These deductions effectively reduce monthly shelter cost payments by a percentage equal to the tax bracket the household happens to be in.

Another advantage of homeownership is that it is a form of investment. For many households, homeownership is the only (or most significant) form of investment they can make. By excluding the prospect of homeownership from many households, one important source of long term financial security is eliminated.

Rental Market

As the price of homeownership has increased, making the prospect of homeownership an elusive one for an increasing number of households, the demand for rental units has grown. This demand, coupled with a very low apartment construction rate and an increasing population base, has forced the apartment vacancy rate down in recent years. Paralleling this change in apartment vacancy rates have been increases in monthly rents. In 1980 the U.S. Census calculated the County vacancy rate as 3.2%.

In recent years the already low vacancy rate has been further aggravated by the conversion of apartment rental units into condominiums. A growing number of apartment complexes have been sold to specialists who convert them into condominiums and then sell the units to individual owners. Substantial profits are possible from such conversions and local property taxes are increased, but the effect is to reduce the supply of rental units. This is burdensome where rental vacancy rates are low.

Though increases in residential rents have been less dramatic than the rise in homeownership costs, there are many Santa Clara County households who rent and pay more than the traditional 25% or more liberal 33% of their gross income for shelter. Again, as in the case of homeowners, the incidence of middle and high income households exceeding the 33% limit is not necessarily an indication of need. However, low income renters paying 33% of income for shelter can do so only by sacrificing other essentials.

Accessibility to Housing

As owners and managers take advantage of the tight rental market to choose the most desirable tenants (from their point of view) from the ever-increasing number of desperate seekers, special groups are finding a smaller percentage of rental housing available to them. Households that have traditionally been in the rental market find they are now competing with an enlarged pool of renters since increasing home purchase costs are forcing many more individuals and families to postpone buying. At the same time, rental construction has been severely depressed and some multi-family projects have been converted from rental status to condominiums, causing displacement. As a result, many low income families are having difficulties finding suitable rental housing in the area.

The number of renters with children is growing as the post World War II baby boom generation reaches family formation age. This increase in demand has not been matched by growing supply. The problem in finding rental housing for families can be exacerbated by the reluctance of some property owners to rent to families with children. However, the California Supreme Court recently ruled that this type of discrimination against children was unconstitutional.

Seniors, who have retired, also experience hardships in the rental market. Frequently, inflation has eroded their fixed incomes and impoverished them for the first time in their lives. They are unable to compete financially with wage earners and are, therefore, frequently forced out of familiar neighborhoods and surroundings.

Handicapped individuals also face special problems. Architectural barriers, such as stairs and narrow doors, limit the number of usable rentals for the physically disabled. The handicapped also need to live near transportation for access to jobs or rehabilitation programs. If an acceptable unit is found, the landlord may be fearful of greater liability, and refuse to rent to a disabled person. Consequently, a handicapped person may be denied his or her right to function independently. However, State law prohibits housing discrimination against the disabled.

A single female head-of-household may also find she cannot compete financially with a single male head-of-house for a rental unit. On the average, men receive larger salaries and women, therefore, may find that their earning capacity and their ability to compete for housing, is less than their male counterparts.

CONCLUSION

The private housing market is not able to supply an adequate number of owner-occupied dwellings at prices which are affordable to families and individuals of median income in the Santa Clara County area. Also, few new rental units are being built and existing affordable rentals are becoming scarce.

Shelter cost may remain stable or will rise as unfulfilled demand bids prices up in a market of limited supply. Commute activity will increase as more families seek affordable housing in outlying areas, resulting in more traffic congestion, degraded air quality and further depletion of energy supplies.

SECTION 2

COMMUNITY PROFILE

INTRODUCTION

Before a concern can be addressed, its nature, scope and context must be understood. This section will contribute to an understanding of local housing concerns by describing the Milpitas community.

Size and Growth of Milpitas

Milpitas is a relatively compact community. The present population was 41,352 as of January 1, 1984. Its present incorporated area is about 12 square miles and its total "sphere-of-influence" (which includes unincorporated areas that would have to annex to the City in order to obtain urban services) area equals about 24 square miles. Virtually all present urban development is located in the incorporated portions of the Valley Floor Area (all lands west of Piedmont and Evans Roads and the northerly extension of North Park Victoria Drive).

The City is also medium-sized in terms of population. The population as of January 1, 1984 was 41,352. Its 1980 population of 37,820 (11,336 households) ranked Milpitas as 6th in size of the 15 cities in Santa Clara County. While population growth has slowed down considerably from the levels experienced early in the City's history (Figure 3), it is still one of the fastest growing cities in the County: Milpitas' 1980 population was more than 42.4% above the 1970 level, while the total County population grew only 21.6% over the same period.

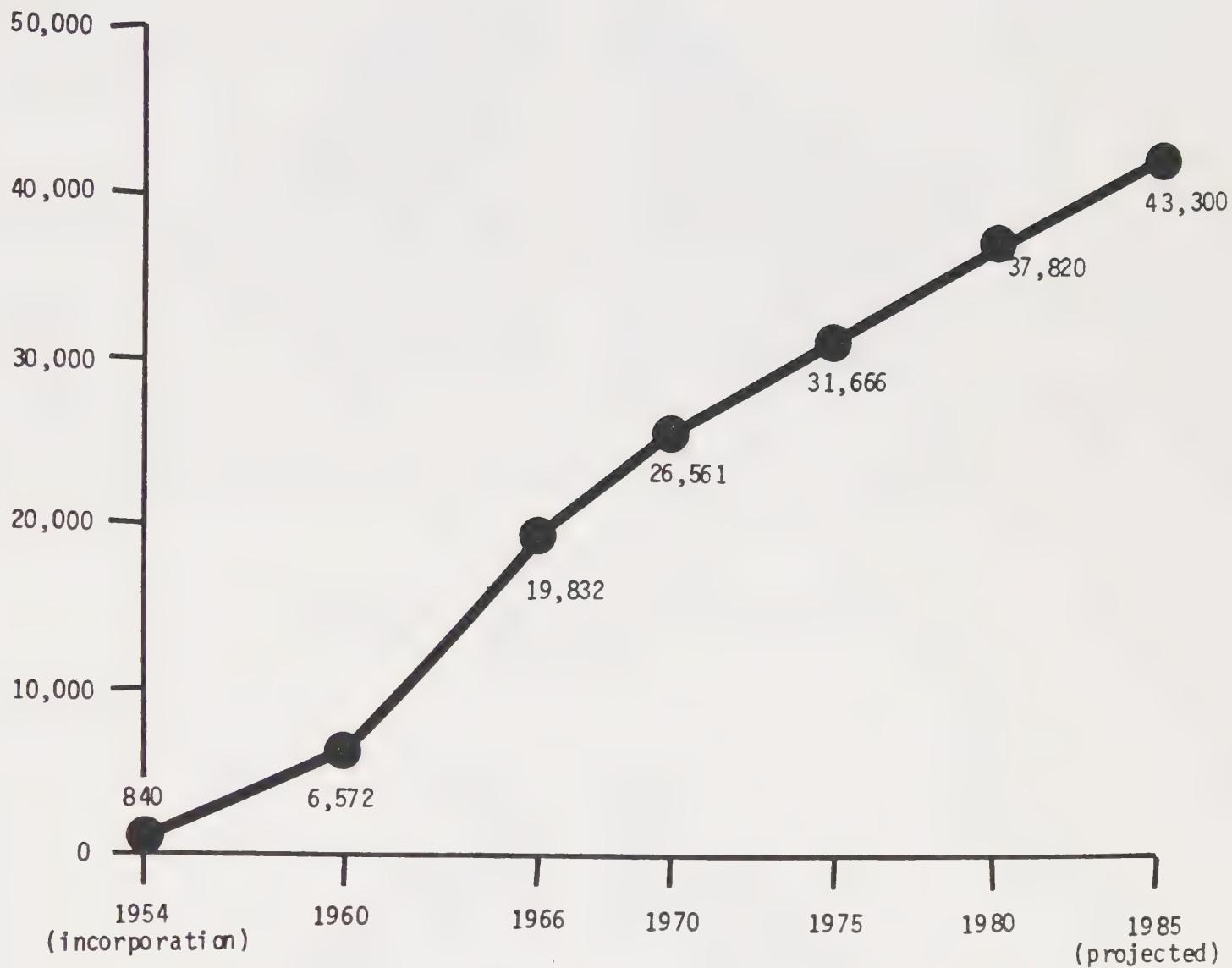
The lower growth rates for 1970 through 1983 reflect not only the change in Milpitas from a new, small city to a larger more mature community, but are also the consequences of problems stemming from the earlier very rapid residential growth (which led to a sewer moratorium, 1970-72 and a residential development restriction, 1972-74, related to school overcrowding) as well as declining household sizes and the nationwide economic recession of 1974-75 and 1980-82.

The projected 1985 population is expected to be approximately 43,300 (a projected 14% increase over the 1980 population) or about 12,457 households. After 1985 there remains the potential for an additional 1,365+ households.

Population Composition

The City's population is characterized by having the youngest median age (26.3 years in 1980) and largest average household size (estimated to be 3.27 persons in 1980) in the County. A comparison of age distribution with the County total shows significantly higher percentages of population age 0 to 10 years and lower percentages of residents over 55 years (Figure 4). The age structure of Milpitas is aging, though. Since 1970, when the median age was 20.9 years, the percentages of all age groups over 15 years have increased while the age groups of 0 to 14 years have decreased (Figure 5). Similarly, household sizes have declined as indicated in Table 3.

FIGURE 3
MILPITAS POPULATION GROWTH
1954-1990



Source: Santa Clara Co. Planning Department
Milpitas Planning Division

FIGURE 4
1980 AGE DISTRIBUTIONS
MILPITAS AND SANTA CLARA COUNTY

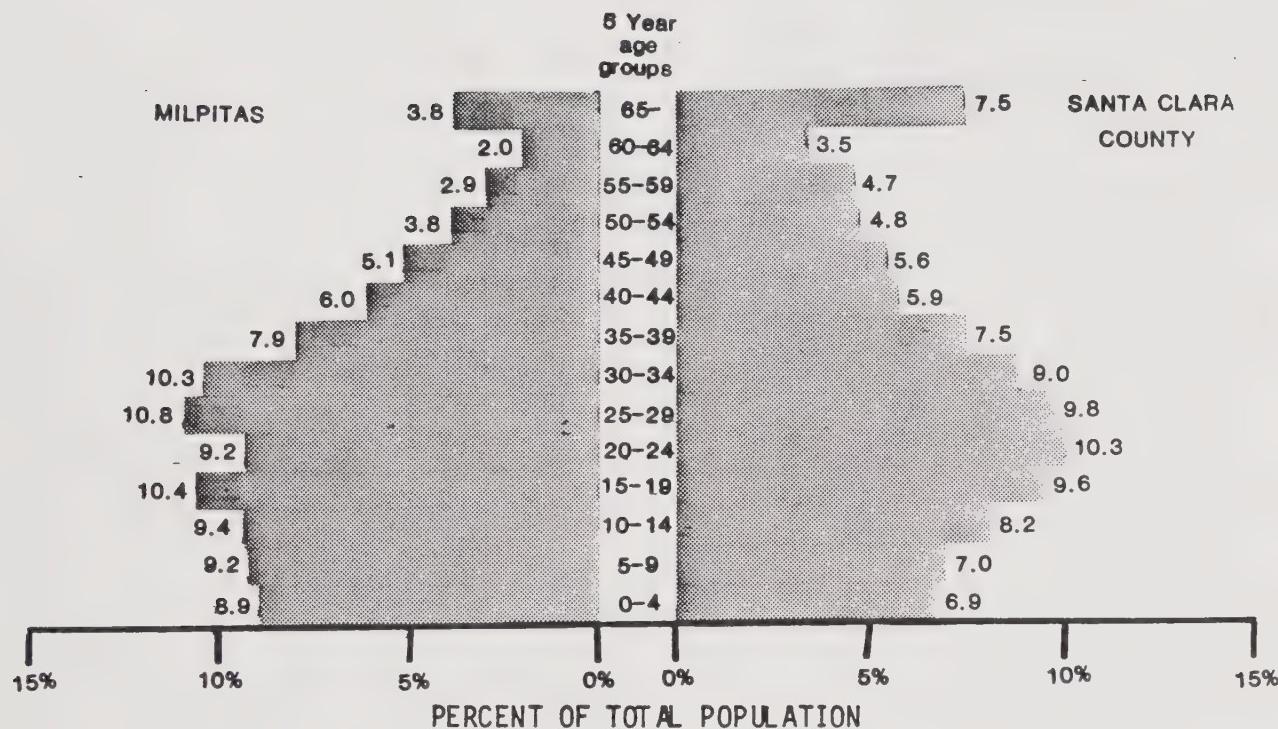
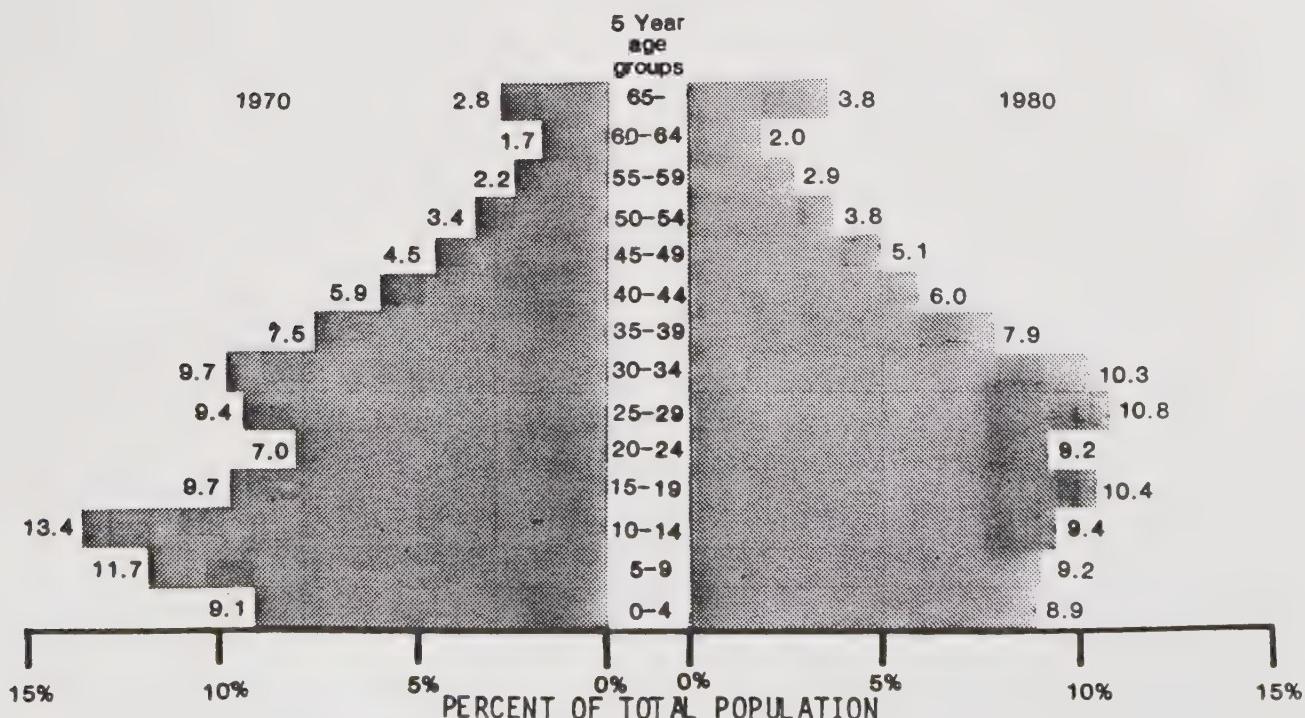


FIGURE 5
1970 & 1980 AGE DISTRIBUTION
MILPITAS



Sources: 1970 & 1980 Census

TABLE 3
AVERAGE HOUSEHOLD SIZE
MILPITAS & SANTA CLARA COUNTY
1960-1980

	<u>1960</u>	<u>1966</u>	<u>1970</u>	<u>1975</u>	<u>1980</u>
Milpitas	4.36	4.22	4.01	3.50	3.27
County	3.36	3.35	3.23	2.92	2.76

Source: U.S. Census & County Special Census

Milpitas is a racially mixed community (Figure 6) and historically has had a higher percentage of minority population than the County total.

The median income of Milpitas households is and has been very close to the County-wide median as illustrated in Figure 7.

Employment Growth

The Association of Bay Area Governments (ABAG) issued a report, Projections '83 which has projected the following employment growth estimates for Milpitas:

1980	11,901
1985	18,200
1990	22,800
1995	29,400
2000	34,100

FIGURE 6
RACIAL AND ETHNIC DISTRIBUTION
MILPITAS AND SANTA CLARA COUNTY
1980

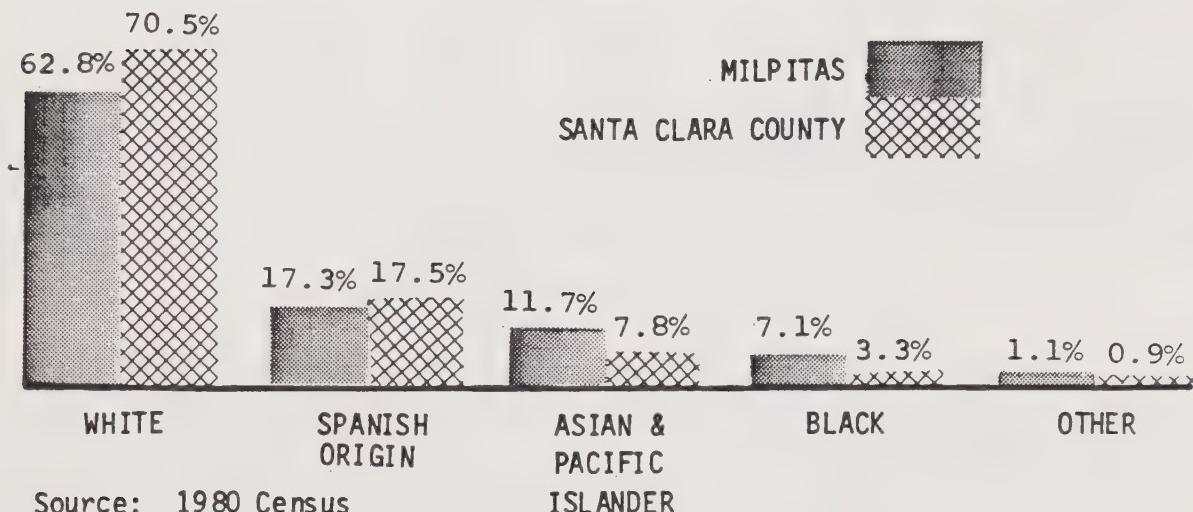
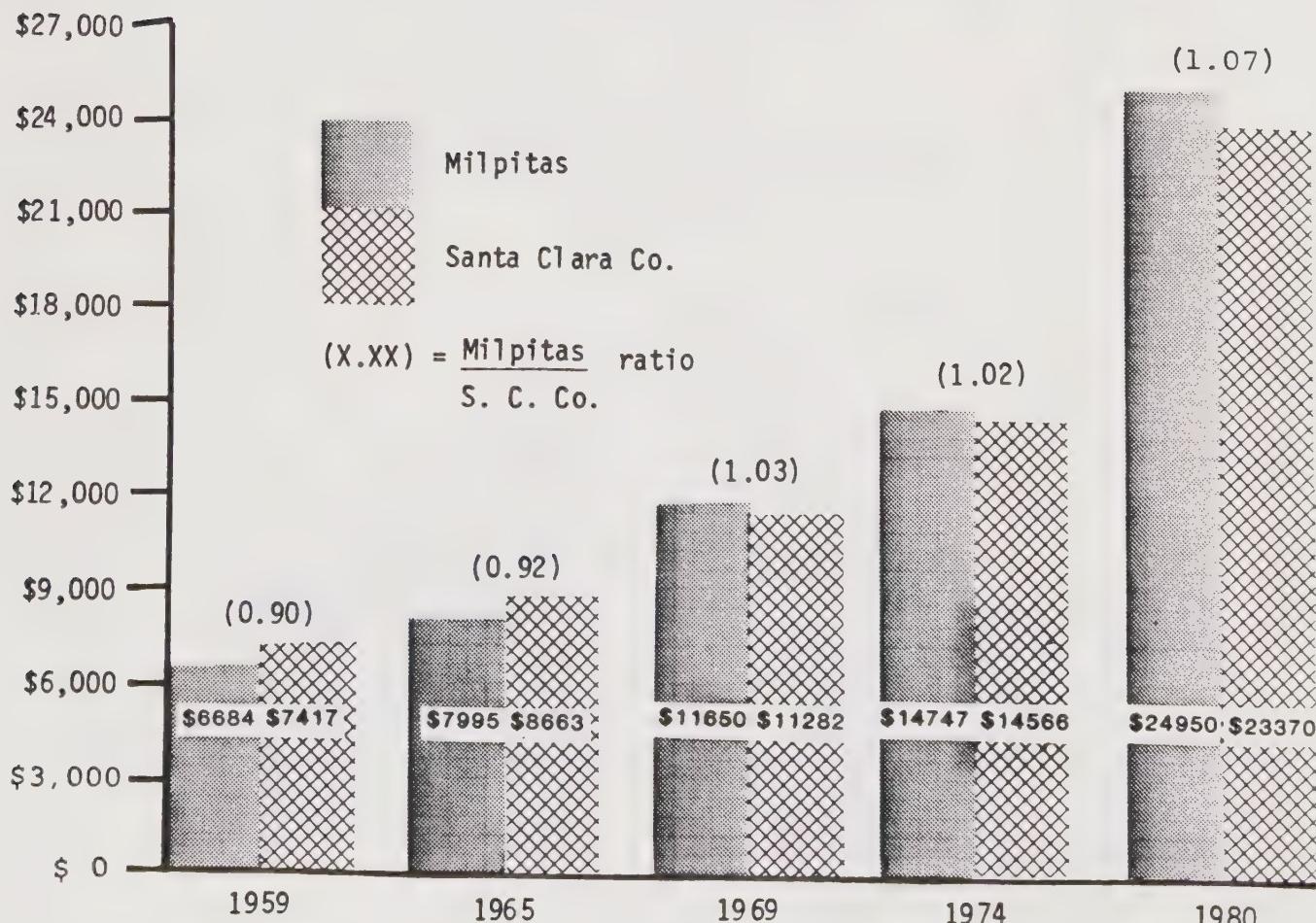


FIGURE 7
MEDIAN INCOME, 1959-80
MILPITAS AND SANTA CLARA COUNTY



Source: 1960, 1970 & 1980 Census
1965 & 1975 County Special Census

Housing Characteristics - Valley Floor

The City is predominately a single-family community with a total of 11,658 dwelling units in 1980. The 1984 housing mix is 69% detached single-family units (low density) and 26% multi-family (apartments, condominiums and townhouses) and 5% mobile home units. The distribution of owner and renter-occupied units from 1966 to 1980 also reflects the single-family character of Milpitas:

TABLE 4
TENURE, 1966-1980
MILPITAS & SANTA CLARA COUNTY

	Owner-Occupied Units	Renter-Occupied Units
1966: Milpitas Santa Clara Co.	72.5% 63.8%	27.5% 36.2%
1970: Milpitas Santa Clara Co.	78.9% 61.7%	21.9% 38.3%
1975: Milpitas Santa Clara Co.	76.0% 61.2%	24.0% 38.8%
1980: Milpitas Santa Clara Co.	71.5% 59.2%	29.5% 40.8%

(Source: Santa Clara Co. Planning Dept.)
1980 Census

The present (1984) mix has changed slightly towards a higher proportion of single-family and the different housing unit types are not dispersed evenly throughout the five residential census tracts in the City (Map 1). Future development, in accordance with the General Plan Land Use Element, should result in an increase in the proportion of multi-family and single-family attached units by 1990 with a somewhat more even distribution pattern (Map 2).

Residential land use densities allowed in the City of Milpitas are as follows:

Land Use Designation	Units Per Gross Acre
Single Family Low	3-5
Single Family Moderate	6-15
Multi-Family Medium	7-11
Multi-Family High	12-20
Mobile Home Park	6-7
Hillside Residential	1/20-3

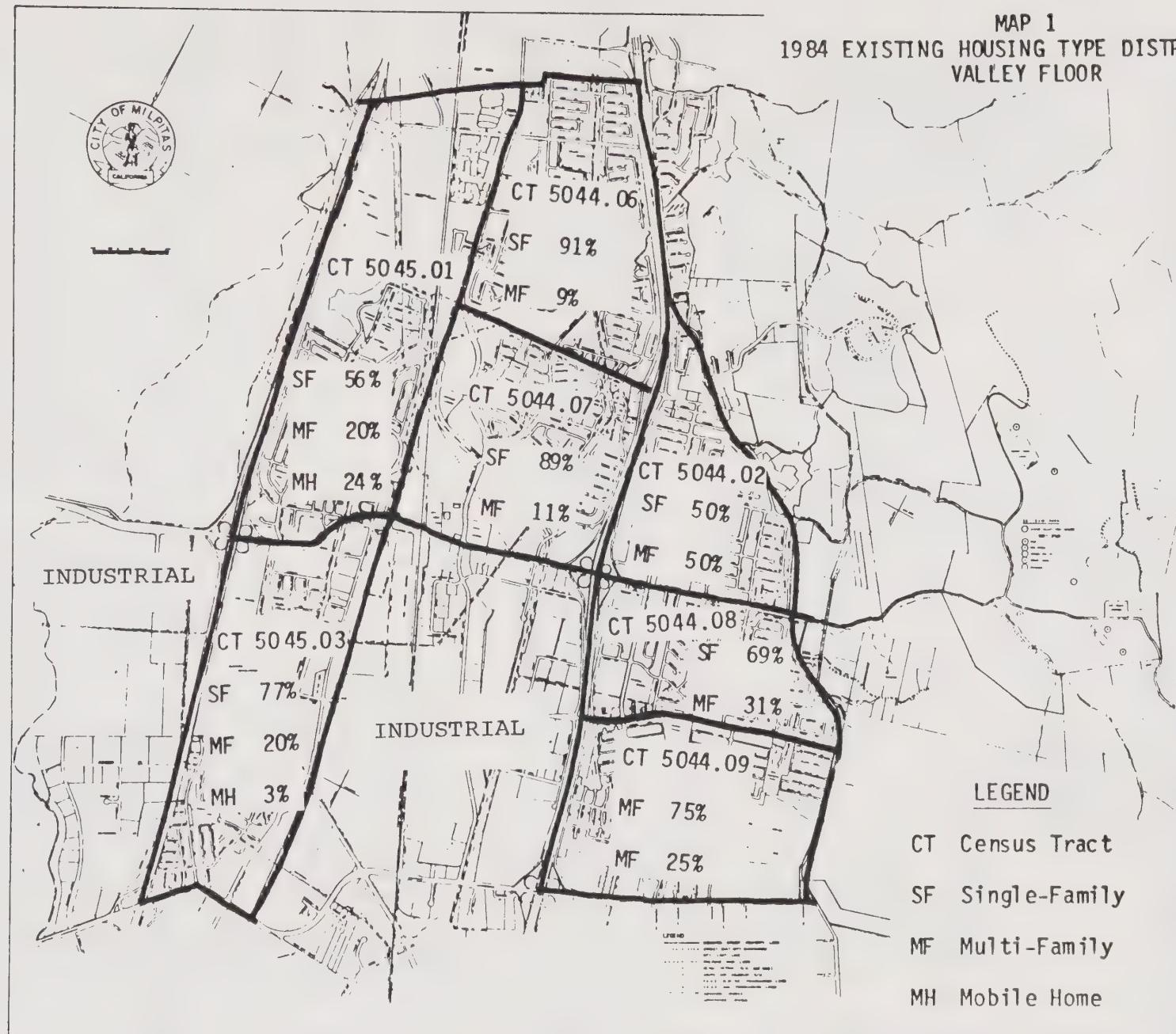
The housing stock in Milpitas is beginning to age as indicated in Table 5. More than 50% of the existing housing is 15 years or older. However, almost 25% of Milpitas residences were built after 1975 and are less than 9 years old.

TABLE 5
HOUSING STOCK AGE

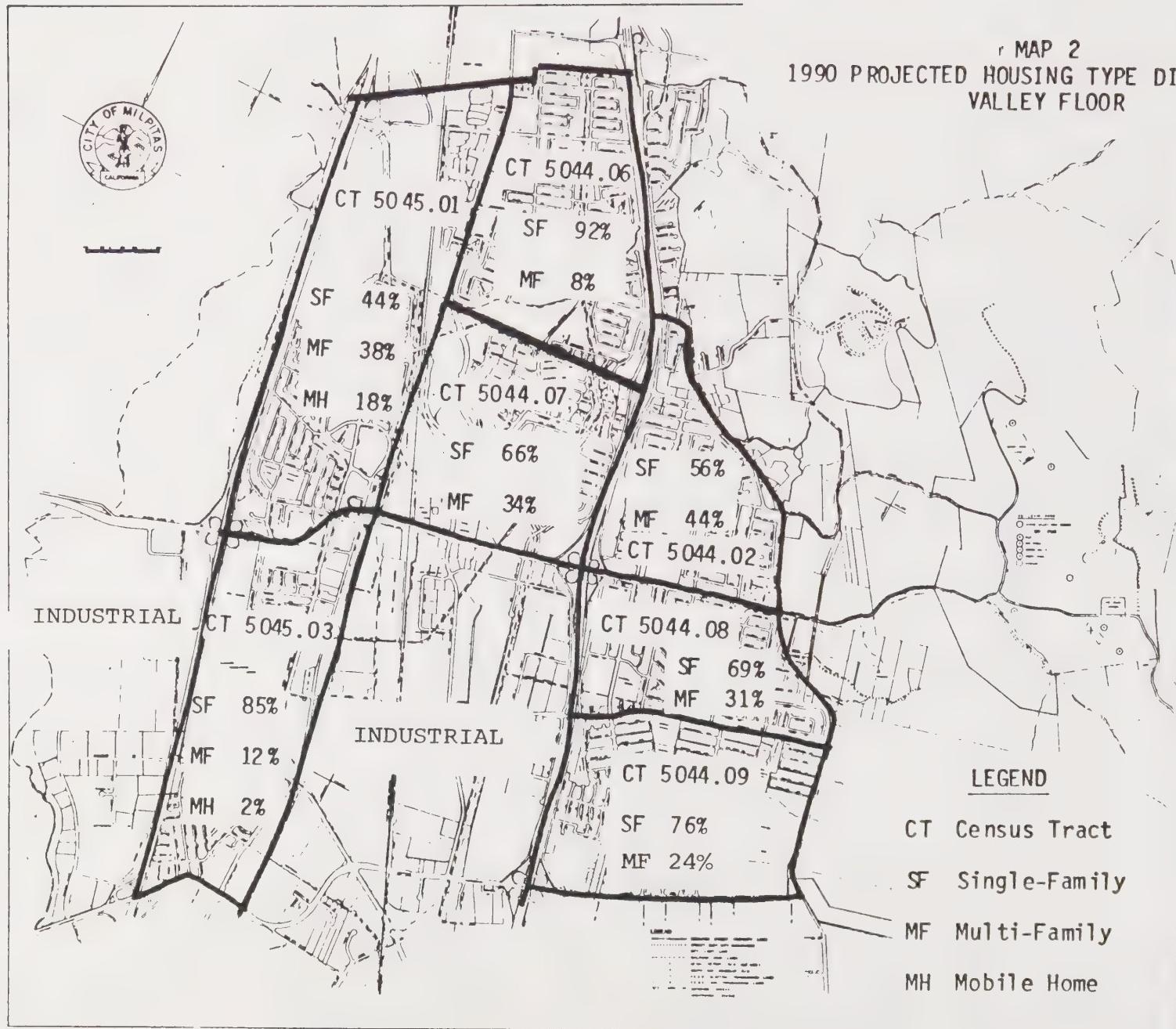
Time Period Built	% of Total Housing Units
Prior to 1959 (over 25 yrs. old)	13%
1960-69 (15 to 25 yrs. old)	42%
1970-74 (10 to 14 yrs. old)	21%
1975-80 (4 to 9 yrs. old)	21%
1981-83 (0 to 3 yrs. old)	3%

Source: 1980 Census & Milpitas Planning Division

MAP 1
1984 EXISTING HOUSING TYPE DISTRIBUTION
VALLEY FLOOR



MAP 2
1990 PROJECTED HOUSING TYPE DISTRIBUTION
VALLEY FLOOR



Source: Planning Division

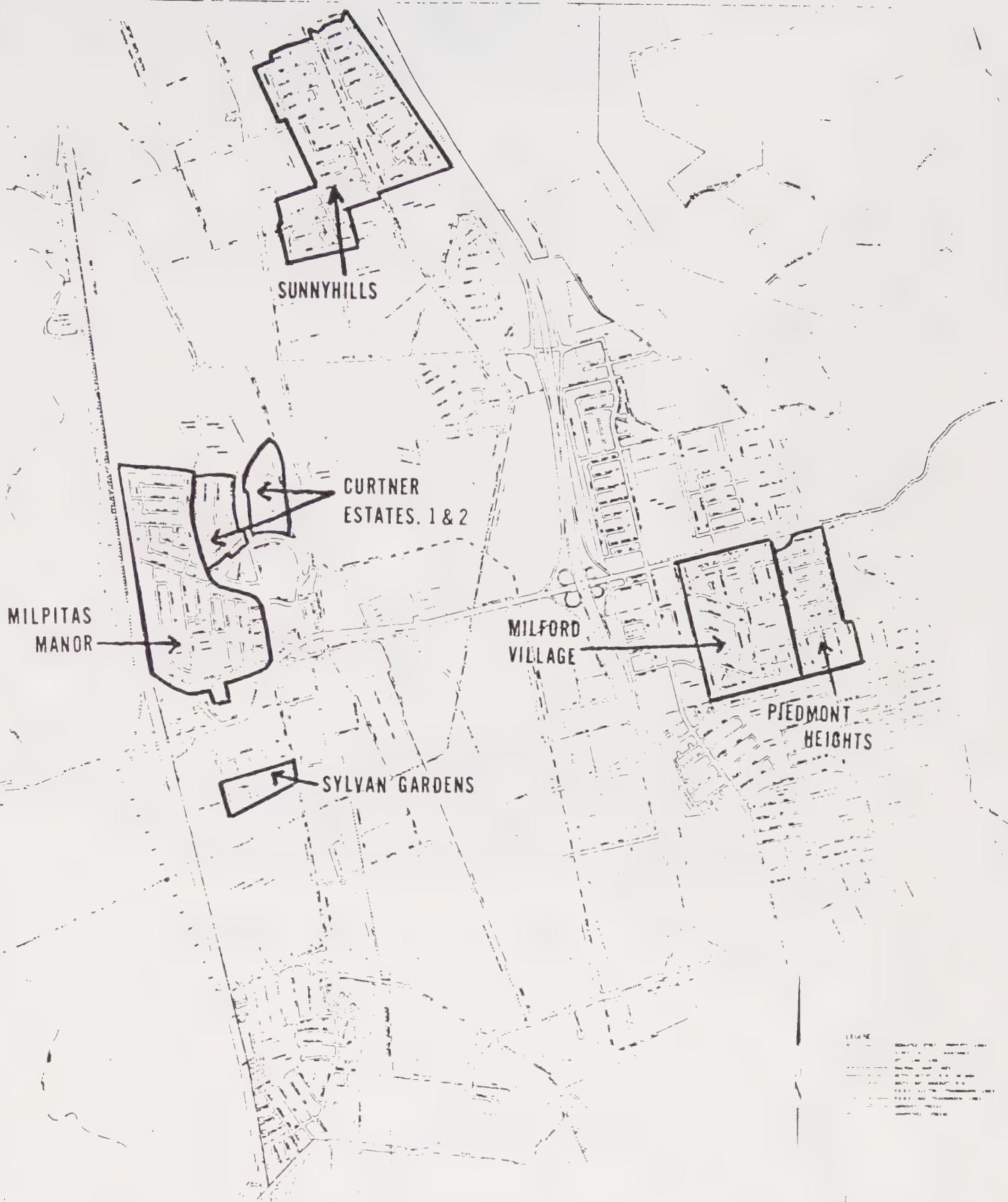
The 1980 vacancy rate for all dwelling units in Milpitas was 2.8%, compared to the County-wide 3.2% vacancy rate. Rental units within the City in 1980 had a vacancy rate of 3.3%, while only 0.9% of the owner units were vacant (the 1980 County vacancy rates were 3.3% for renter units and 1.3% for owner units). In addition, a survey of apartments was conducted by the City in April 1984 which yielded a vacancy rate of 2.09%.

In 1980 6% of all occupied housing units in Milpitas were "overcrowded" (i.e. had more than one person per room), while 5% of the total County units were overcrowded. In recent years, changes in the general extent of overcrowding have been related to changes in average household size. As average household size goes down, overcrowding also declines. Consequently with the City's average household size decreasing faster than the County average, it can be expected that the percentage of overcrowded units in Milpitas will tend to be closer to that for the total County.

Historically, owner occupied units in Milpitas have been much less expensive, than similar units in other Santa Clara County cities. As indicated in Table 6, only Gilroy ranked lower than Milpitas for the value of single-family/owner-occupied units in 1980. There were four single-family subdivisions built in the City during the 1950s and 60s that have probably been significant factors in determining low median house values. Those developments, at the time of initial sales, were priced significantly below other new single-family developments in the Santa Clara Valley. These four subdivisions are: Sylvan Gardens (100 units built in 1954), Sunnyhills (985 units built 1955-69), Milford Village (511 units built 1956-64) and Piedmont Heights (336 units built 1960-62); see Map 3. These four developments remain relatively low in price and constitute 16% of the City's existing single-family housing stock.

The past situation for renter-occupied units (Table 6) is somewhat different from that for owner units. The City's 1980 median rent was 17% higher than the total County median. Only 4 of the 15 cities had higher 1980 median rents.

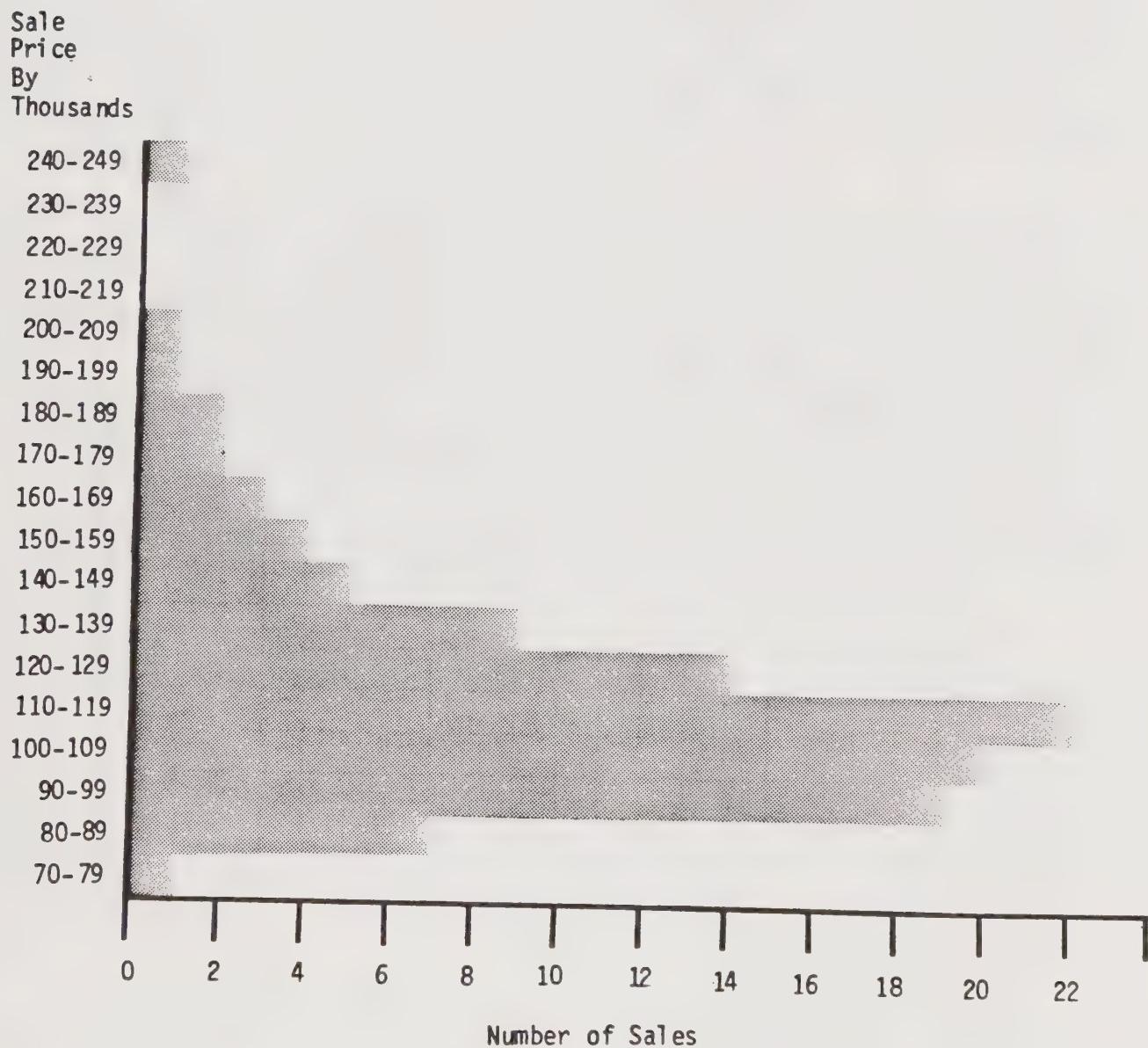
The current housing market situation in Milpitas (as well as the rest of the Bay Area) is one of high housing costs. According to the Building Industry Association, the median price of a new home in Santa Clara County was \$127,000 in 1983. A recent compilation (Figure 8) of resale prices for existing homes in Milpitas shows a median sale value between \$110,000 and \$119,000. Nonetheless, in the fourth quarter of 1983, the San Jose Real Estate Board indicated Milpitas was an area of low house prices compared to the rest of the County (Map 4). Of the 24 zones surveyed, 15 have median prices greater than that for Milpitas, (the 8 subareas with lower median prices are in central, east and southeast San Jose).



MAP 3 OLDER SINGLE-FAMILY NEIGHBORHOODS

CITY OF MILPITAS

FIGURE 8
HOME RESALES IN MILPITAS
JANUARY TO MARCH 1984



Source: San Jose Real Estate Board

MAP 4

MEDIAN RESALE HOME PRICES

1983

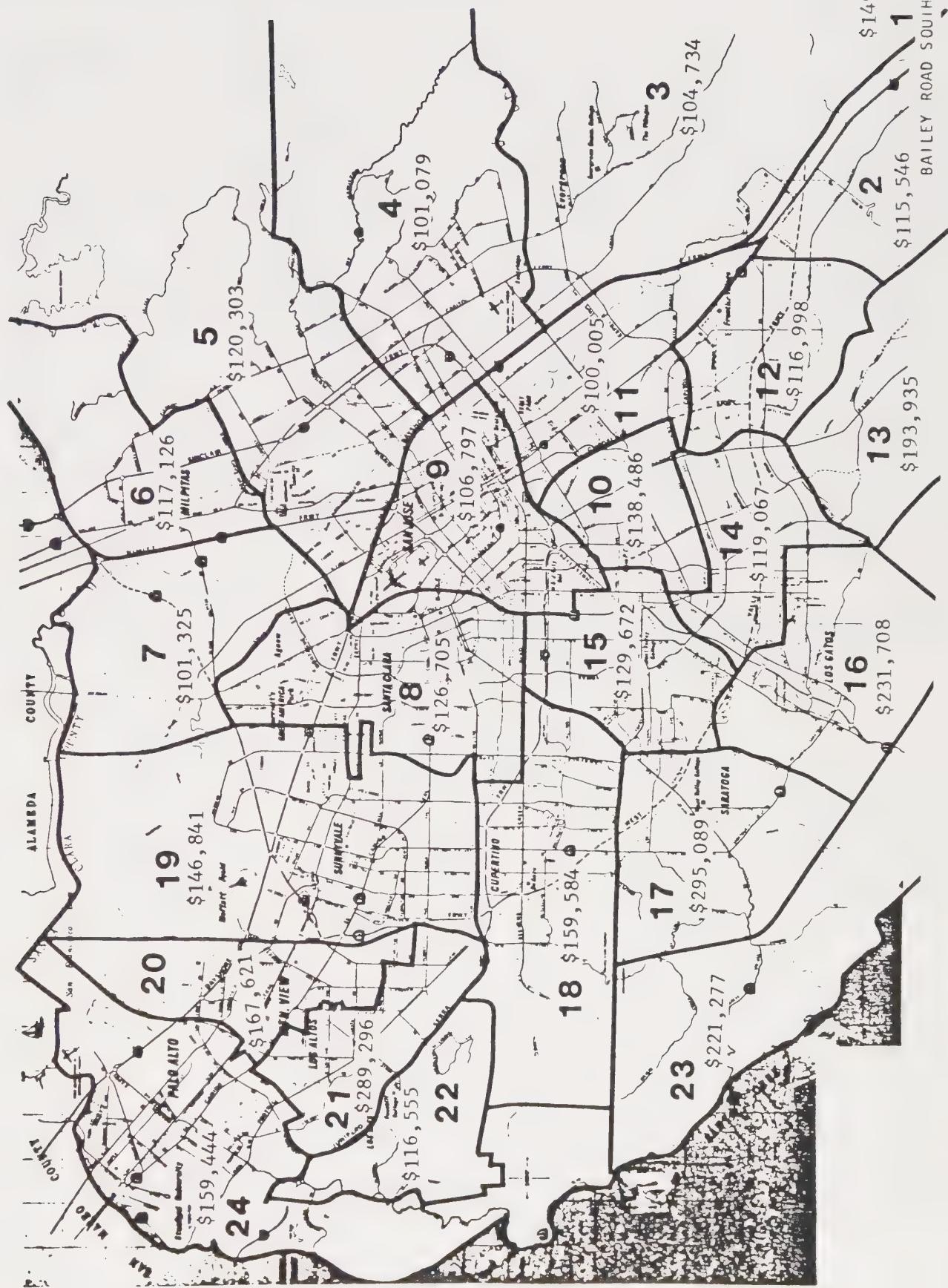


TABLE 6
1980 HOME VALUE
AND RENTS BY CITY

<u>Locality</u>	<u>Median Owner Non-Condominium Value</u>	<u>Locality</u>	<u>Median Gross Rent</u>
Monte Sereno	\$200,000	Los Altos	\$472
Saratoga	\$200,100	Los Altos Hills	\$469
Los Altos	\$196,500	Saratoga	\$411
Los Gatos	\$161,600	Cupertino	\$410
Palo Alto	\$148,900	MILPITAS-----	\$391
Cupertino	\$143,800	Monte Sereno	\$389
Mountain View	\$123,800	Los Gatos	\$381
Sunnyvale	\$119,800	Palo Alto	\$363
Morgan Hill	\$119,600	Santa Clara	\$339
Campbell	\$100,000	Sunnyvale	\$336
San Jose	\$ 97,900	Campbell	\$334
Santa Clara	\$ 96,800	Mountain View	\$332
MILPITAS-----	\$ 91,800	San Jose	\$325
Gilroy	\$ 86,200	Morgan Hill	\$315
-----	-----	County	-----
Unicorp. Co.)	\$109,400		
Santa Clara Co.	\$109,400		\$334

Source: 1980 Census

An additional 1,920+ new housing units are projected to be built in the Valley Floor Area between 1984 and 1990. Table 7 indicates the breakdown of the remaining undeveloped residential Valley Floor land by General Plan category.

TABLE 7
UNDEVELOPED RESIDENTIAL VALLEY FLOOR LAND

<u>General Plan Designation</u>	<u>Number Acres</u>	<u>Number Projected Units</u>
Single-Family Low	134	560
Single-Family Moderate	25	270
Multi-Family Medium	63	750
Multi-Family High	20	340
Highway Service Mobile Home	.00	0
TOTAL	242	1920

Source: City of Milpitas Planning Division, April 1984

Housing Characteristics - Hillside Area

Though it comprises more than 48% of the City's sphere-of-influence planning area, the Hillside Area will not significantly contribute to Milpitas' housing stock. Approximately one-quarter of the Hillside Area is County park land. Various environmental factors, such as geologic hazards (seismic faults and landslide potential), steep slopes and scenic concerns, were influential in determining the City's low housing density policies for the Hillside.

An analysis of the housing potential for the Hillside Area (considering slope, hazard areas and approved projects) yields about 700 total units. Due to the large lot sizes involved with Hillside development (10,000 square feet for safe and level areas to 10, 15 or 20 acres for areas with very steep slopes or serious geologic hazards) and the high development costs (involved with extending roads and utility lines through difficult terrain), new Hillside housing units will be exclusively "luxury" housing for high income households.

Population and Housing Overview

Attracted by the large amount of lower-priced single-family housing that Milpitas has provided, the vast majority of households that have moved into the City have been moderate to middle-income families with school-age children. Fewer housing opportunities (particularly rental multi-family units) have been provided for households with either limited financial resources and/or needs for smaller (than single-family) housing units.

One possible reason for the City's development emphasis on single-family units might be that higher density residential developments are usually found in or around employment and/or commercial centers (thereby providing better access to jobs and services) and, until recently, Milpitas has been on the periphery of those centers. However, with considerable new shopping facilities being built outside of the urban "core" (such as Eastridge in San Jose or New Park Mall in Fremont), with industrial development increasing in and around Milpitas, and with the decreasing supply of land available for residential development, suburban areas will be exposed to increasing pressure for more multi-family housing. At the same time, two other forces are running counter to that pressure: 1) residents of mainly single-family neighborhoods will try to preserve the suburban character of their neighborhoods and 2) more families may be anxious to buy into single-family homes before that type housing becomes unavailable (thus fueling demand and high prices).

Between 1984 and 1990, 57% of all new housing built on the Valley Floor in Milpitas will be multi-family. In addition, only a negligible amount of new housing construction will occur in that same time period in the Hillside planning area.

SECTION 3

HOUSING NEED

Condition of Existing Housing Stock

Before considering the economic-related housing needs of Milpitas residents, the physical needs of the local housing stock should be taken into consideration. The best source of information on this subject is the 1982-1985 Housing Assistance Plan (HAP) prepared by the City as required for participation in the Federal Community Development Block Grant Program.

As illustrated in Table 8, the HAP estimates 1,336 dwelling units are in substandard condition and in need of rehabilitation. Thirteen percent, or 177, of these units are estimated to be occupied by lower income households (less than 80% of the County median income as determined by the Federal Department of Housing & Urban Development.)

TABLE 8
DWELLING UNITS NEEDING REHABILITATION

	<u>Lower Income*</u>	<u>Other Income**</u>	<u>Total</u>
Owner	93	686	779 (58%)
Renter	84	473	557 (42%)
Total	177 (13%)	1159 (87%)	1336 (100%)

*Lower Income = Less than 80% of County Median Income

**Other Income = More than 80% of County Median Income

Source: Milpitas Housing Assistance Plan, 1982-1985

Shelter Costs Compared to Income

In assessing the local housing need particular concern should be addressed to the problems encountered by lower income households (defined as households earning less than 80% of the County median income). Households in this income category are especially vulnerable to high housing costs which require a substantial portion or even most of the household income. It is felt that households at this lower end of the income range are particularly hard-pressed if they are required to pay more than 25 or 30% of their income for housing.

However, higher income groups paying more than 30% of their income for housing are not considered to be as adversely affected insomuch as there is usually still sufficient income remaining for food, clothing and other necessities. Also, the amount and variety of affordable housing available is much greater for middle and high income groups (though, if current housing price trends continue for much longer, even middle income households will have problems locating adequate housing).

The conventional wisdom of loan institutions, until a few years ago, was that no more than 25% of a household's income should be spent for housing costs. In recent years, this rule-of-thumb has increased to 30% to 33%. A 30% guideline was used for estimating need in the 1982-85 HAP. In 1980, the following information was provided by the census reflecting the percentage of income spent on owner and renter housing costs.

TABLE 9
HOUSEHOLD INCOME BY SELECTED MONTHLY HOUSING COST
AS A PERCENTAGE OF INCOME
OWNER

% of Income	Income					Total
	\$0-4,999	\$5,000-9,999	\$10,000-14,999	\$15,000-19,999	\$20,000+	
0 - 19%	0	47	93	252	2819	3211 (48%)
20 - 24%	6	22	24	75	870	997 (15%)
25 - 34%	7	16	84	160	1159	1426 (21%)
35+%	132	130	136	177	448	1023 (16%)
Not Computed	15	0	0	0	0	

Source: 1980 Census, sample data

TABLE 10
HOUSEHOLD INCOME BY GROSS RENT AS PERCENTAGE
OF INCOME
RENTAL

% of Income	\$0-4,999	\$5,000-9,999	\$10,000-14,999	\$15,000-19,000	\$20,000+	Total
0 - 19%	9	27	7	48	714	805 (27%)
20 - 24%	0	18	95	142	334	589 (19%)
25 - 34%	18	29	211	206	234	698 (23%)
35+%	236	312	261	97	25	931 (31%)
Not Computed	37	2	4	5	42	

Source: 1980 Census, sample data

As indicated in Table 9, 1,023 or 16% owner households pay more than 35% of their income for shelter costs (excluding those households not computed). With the addition of those households paying more than 25% of their income, the estimates would rise to 2,449 or 37%. For renters, (Table 10) those paying greater than 35% amount to 931, or 31%. With the addition of those paying 25% or more, the figure would be 1,629 or 54%. The combination of owner and renter households paying more than 35% and 25% of their income for housing costs would be 1,954 or 20%, and 4,078 or 42%, respectively.

Overcrowding

The 1980 census indicates that 734 dwelling units in Milpitas, or 6.3%, are overcrowded. A house is determined overcrowded if there are more than 1.01 persons per room.

Special Housing Needs

The Milpitas Housing Assistance Plan (HAP) for 1982-1985 indicates there are four population groups requiring special housing assistance.

1) Seniors

The 1980 census indicates that 2,192, or 5.8%, Milpitas residents are 60 years of age or older. 396, or 18%, of those residents live in the three major mobile home parks located in the north side of the City. The median age for the mobile home park population in 1980 was 64.1 while City-wide the median age was 26.7. In addition, the median income of the mobile home parks was \$9,795 while City-wide it was \$24,908.

2) Disabled

According to the 1982-85 HAP, there were approximately 450 disabled individuals living within City boundaries. The HAP describes the special housing needs of the disabled as ongoing and requiring unique modifications to their homes to provide mobility through the installation of ramps, bars and other specialized equipment.

3) Single Individuals with Dependent Children

The 1980 census information indicates there were 1,271 households headed by a single individual with dependent children under 18 years of age in Milpitas. 1,012, or 80%, of these households were headed by a female.

4) Racial Minorities

According to the 1982-85 HAP, there were 190 low income racial minority households in substandard housing in Milpitas. 110, or 58%, of these households are renters while the remaining 80, or 42%, are homeowners.

Fair Share Allocation

The State Housing Element legislation require local governments, when assessing housing needs, to consider not only the housing needs of the resident population, but also to make adequate provision for a "fair share" of the housing needs of all economic segments of the "general housing market area" population, who might reasonably be expected to live within the jurisdiction were a variety and choice of housing appropriate to their needs available.

The State has required the regional Council of Government (COG), the Association of Bay Area Governments (ABAG), to prepare a Fair Share Allocation Plan for the Bay Area general market area to provide a basis for all localities within it to share equitably in responding to the housing needs of the area. The allocations for each locality are based on estimates of the existing and projected number of housing units needed. These estimates are broken down into the type of housing needed (single-family, multi-family and mobile homes), the tenure of the needed units and the expected and projected housing needed by income levels.

The methodology required by State law and followed by ABAG to determine the regional housing needs took into consideration market demand, employment characteristics, including employment projections, site availability, public facilities, commuting patterns and the type and tenure of housing need.

As Table 14 indicates, ABAG estimates the existing number of dwelling units needed in Milpitas as 164 in 1980. ABAG also projects that a total of 3,972 units will need to be provided within Milpitas city limits between 1980 and 1990. (The 3,972 units needed between 1980 and 1990 includes the 164 units already needed in 1980.) Of the total (3,972) units needed by 1990, 2,856 (72%) should be owner occupied while the remaining 1,116 (28%) should be rentals. In addition, ABAG estimates that 3,054 (77%) of the needed units should be single-family dwellings while 779 (20%) and 139 (3%) should be multi-family structures and mobile homes, respectively.

Using 1980 census data, ABAG determined the existing distribution of household income for Milpitas residents. By averaging this information with the income distributions for the County and for the San Francisco Bay Region and then applying the resulting averages to the projected housing need a breakdown into needed units by income categories for Milpitas was achieved. Table 11 indicates the results of these calculations and shows that Milpitas should be making efforts to provide housing for an additional 675 (17%) very low income households and 596 (15%) low income households. In addition, the City is also responsible for housing needed by 874 (22%) moderate income families and 1,827 (46%) above moderate income households by 1990.

In reporting the previously stated estimates on housing need, ABAG points out that each jurisdiction is not necessarily required to produce the amount of very low, low, moderate and above moderate income housing identified. Rather, the numbers indicate the amount of additional dwelling units that should be made available to each of these income categories. A city can promote new housing opportunities in a variety of ways including housing rehabilitation, permitting accessory units, or providing mortgage revenue bond issues.

In addition, State legislation governing the content of the Housing Element indicates that the total housing need identified by the community, including the City's share of the regional housing need, may exceed the locality's available resources and abilities within the content of the General Plan. In such a case, State law notes that quantified goals do not have to match the identified housing needs. However, the City must determine the housing and that can be realistically met over a five-year period. The Milpitas housing programs, with quantified goals, intended to meet local housing needs, are discussed in the final section "Housing Programs," of the Housing Element.

Table 11
MILPITAS FAIR SHARE OF REGIONAL HOUSING NEED

Existing Need*	Projected Need*
1980	1980-1990
164	3,972
<u>Needed Single Family Units</u>	<u>Needed Multi Family Units</u>
3,054	779
<u>Needed Owner</u>	<u>Needed Renter</u>
2,856	1,116
<u>Existing Household Income**</u>	
<u>% Very Low</u>	<u>% Low</u>
12	13
	<u>% Moderate</u>
	25
	<u>% Above Moderate</u>
	50
<u>Projected Housing Need by Income Category</u>	
<u>Very Low</u>	<u>Low</u>
675 (17%)	596 (15%)
	<u>Moderate</u>
	874 (22%)
	<u>Above Moderate</u>
	1,827 (46%)

*"Need": Net addition to available stock. Projected Need includes existing need.

**Household Income categories are based on percentage in relation to regional median income

Very Low Income: up to 50% of the regional median income

Low Income: between 51 and 80%

Moderate Income: between 81 and 120%

Above Moderate Income: 121% and above

SECTION 4

GOVERNMENTAL CONSTRAINTS

The provision of affordable housing within a community can sometimes be constrained by local agency regulations and procedures such as inflexible or excessive zoning regulations (i.e. large minimum lot sizes), high fees and/or amenity standards or a lengthy approval process. However, most (if not all) existing governmental constraints are valid responses to public concerns, such as:

- a) Furthering community planning objectives, such as the allocation of appropriate densities, preservation of environmental quality or provision of adequate recreational or public facilities.
- b) Providing time for adequate staff review and analysis and for public comment on proposed developments.
- c) Conforming with State law regarding planning and environmental review procedures.
- d) Budgeting/financial concerns which affect levels of staffing and/or may require application fees to help defray governmental expenses incurred through review and processing of permits.

It should also be noted that even if an agency were to effectively eliminate those regulations and procedures that act to constrain the development of housing opportunities, this would not necessarily result in the provision of more affordable housing.

CONSTRAINTS NOT IN MILPITAS

The City of Milpitas has been a leader among South Bay communities in providing housing affordable to all segments of the population. This suggests that Milpitas has not, through its development controls and approval processes, presented much in the way of governmental barriers to the provision of wider housing choice. The following points will illustrate the types of contraints that do not exist in Milpitas as well as the steps the City has taken to mitigate government constraints.

1. The City's General Plan and Zoning Ordinance provide for a wide variety of housing types and densities ranging in the Valley Floor Area from single-family units on 10,000 square foot lots to apartment units at densities in excess of 20 units per net acre. Furthermore, there are no minimum floor area requirements for any of the residential zones.
2. The Planned Unit Development (P.U.D.) procedure allows for flexible development standards in the following areas:
 - a) Setbacks can vary to allow clustering or commonly-owned open space.
 - b) The City's PUD policies effectively provide moderate to large increases in dwelling unit density over conventional subdivision yields (e.g. a standard "R1-3" subdivision -- minimum 3000 sq. ft. lot size -- usually generates 7 to 8 units per gross acre, while with PUD approval as much as 10 units per acre can be approved).
 - c) The street and/or public right-of-way widths can be reduced from the usual City standards (as was the case in the Parktown and Courtland Estate PUD's).

- d) Open space provided within a PUD for use by the project residents is deducted from the required park dedication. Alternately, the minimum lot size requirements can be reduced when a PUD provides excess park or useable open space areas (e.g. Parktown and Starlite Pines PUD's).
 - e) The City's PUD process can provide for mixed-use developments, where moderate to high density housing is integrated with industrial or commercial uses, such as the Cadillac-Fairview Business Park.
 - f) There is no minimum project area requirement for a PUD application.
3. The City does not have a "growth management program" that might act to limit the rate of housing development.
 4. Since there is no inconsistency between zoning and the General Plan in Milpitas, there is no problem of the General Plan allowing higher densities than the Zoning Ordinance.
 5. The City does not impose an excessive amount of application processing time and related delays on residential projects. For example, it is quite possible for small to medium sized projects (up to 50 or even 100 units) to receive final zoning and tentative map approval within three months of submittal of a complete application (larger projects, or ones in potentially significant environmental areas, may take longer due to the probability of an Environmental Impact Report being required).

EXISTING CITY CONSTRAINTS

Governmental constraints that increase the supply of affordable housing do exist in Milpitas. While not all can be eliminated by City action (such as the delays required by State law for environmental review and public notice of hearings), many could be mitigated. However, as noted above, invariably the elimination of any constraining regulation or procedure will have "costs" (financial or otherwise) associated with it. Often those costs may be of more significance to a community than the indirect benefit of removing a (perhaps minor) barrier to affordable housing. The most significant governmental constraints in Milpitas are listed below, along with discussions of any trade-offs involved with their removal.

1. Maximum Density: The City's established land use policies do not allow housing projects at densities greater than 21.8 units per net acre. While this constraint could be eliminated by amendments to the General Plan and Zoning Ordinance, it has been determined to be an inappropriate density within a small suburban community such as Milpitas. Furthermore, it is highly probable that any attempts to establish such a zone in any part of the City would meet with considerable opposition from the residents of that area.
2. Development Review: All multi-family and single-family moderate density residential projects are required to have architectural and site plans reviewed by the Planning Commission. This procedure can incur additional expense and delays for the developer. This also indirectly constrains the development of more affordable housing, inasmuch as it introduces the possibility of the City requiring architectural improvements and project amenities as conditions of approval (thus adding to the market price). However, the "cost" to the City (and especially to neighboring property owners) is the possibility that without such a review process new developments might be poorly designed or inappropriately sited on the property.

3. Public Facilities & Services: Though water supplies and sewer treatment capacity (and any other utility capacity) are not presently a constraint for housing construction there is a possibility that the City's treatment capacity allocation and guaranteed water supply could be used up prior to "ultimate build-out," as indicated in the Land Use Element of the General Plan, if the number of particularly high-water using industries in Milpitas increases significantly. Plans are currently underway to restore the treatment plant's capacity to its originally anticipated level which would eliminate this potential constraint.
4. Park Fees: In conformance with the goals of the City's Open Space and Conservation Element, all residential subdivisions are required to dedicate 805.9 square feet per dwelling unit for parks or, in lieu of dedication, pay a fee equivalent to the area required for dedication times the per acre purchase price of the project land. The elimination or reduction of the park fee requirement would reduce the amount of open space planned for the City and require a change in City policy regarding the provision of local recreational facilities.
5. Permit Approval Process: The time spent by an applicant processing a development project through the local government's permit approval process can add to the cost of the project. However, the permit process in Milpitas is relatively streamlined and the time required for staff review of a project is essential to ensure compliance with State requirements for permitting (CEQA, and Title 24 for example), City development standards to meet local development goals and needs and the Building Code to provide safe and efficient construction standards. Reducing the comprehensiveness and the time required for staff review, without a concurrent increase in staff or prioritizing of housing projects over commercial and industrial projects, could result in lesser quality development design and construction and fewer opportunities for public participation in the planning process.
6. Hillside Area: Public policy and the Zoning Ordinance constrains Hillside density and architecture/siting considerations due to concerns for safety (geologic hazards), environmental protection (minimize grading, maximize open space and protection of ridgelines) and aesthetics (units to blend with natural setting). Consequently, the Hillside Area is limited to a maximum of 500 to 700 dwelling units at ultimate development. Inasmuch as public utilities (i.e. sewer and water) are planned and developed based on this projection, it would be difficult and costly to increase the number of Hillside dwelling units in the future.
7. On-Site and Off-Site Improvements: On-site improvement requirements in Milpitas are comparable with other nearby cities. On-site improvements include landscaping, quality of building materials, requirements for covered parking, etc., all of which may be classified as private property improvements. The quality and nature of these improvements is determined by the Zoning Ordinance and the site and architectural review process.
Off-site improvements include streets, street lighting, curbs, sidewalks, etc. which are within the public domain. Such improvements may be required not only for the frontage of the specific property to be developed, but also at some distance from the development site (to provide traffic control devices at a street intersection in the vicinity, for instance). Milpitas has required developers to pay for such improvements, following the City's philosophy that new development should pay its own way. The elimination or reduction of on-site and off-site improvements could affect project design and construction quality and/or require the City to carry the cost of required public improvements.

SECTION 5

HOUSING CONCERNS AND GOALS

CONCERNS

The City of Milpitas during its early and middle development phases (mid-1950s through the early 1970s) was a leader among the South Bay Area communities in providing housing, both assisted and unassisted, that was affordable to low- and moderate-income households. In accordance with the family-oriented character that has been established in the City (due partly to its location outside the primary urban employment and service centers), the majority of those units were owner-occupied, both Low Density single-family homes as well as High Density townhouses and condominiums. Furthermore, Milpitas is still one of the subareas of Santa Clara County with the lowest house prices.

The City is presently entering into its last residential growth stage: that of infilling large and small areas encircled by existing developments. In this mature phase, Milpitas will be experiencing an increase in the proportion and number of Medium and High Density units, thus increasing the supply of housing types generally utilized by lower income households. In conjunction with the arrival of this final major growth phase, the City is also facing serious traffic congestion problems and is attempting to provide a balance of residential, commercial and industrial development. Therefore, efforts to address local and area-wide housing problems must be designed to work with rather than against these other major concerns.

It appears that a primary reason for much of the traffic congestion in Milpitas stems from the City's location as a connecting node of intra-regional freeways and expressways. Major streets that are required to funnel commuters from large residential areas north and south of Milpitas to employment centers to the west are also having serious difficulties in adequately handling traffic generated by existing and developing residential and non-residential areas within the City.

Associated with traffic problems has been, until recently, Milpitas' relative lack of employment and shopping facilities, whereby residents must travel out of town to reach jobs and most commercial stores and services. This deficiency in non-residential uses also makes it difficult for the City to provide essential and desired municipal services to its residents.

Similarly, it is important to have a balance of low, middle and premium priced housing both within a City and within a region. Since most of the housing built in Milpitas in the past were low and middle priced units, the remaining single-family units must be of a high quality and price in order to achieve the desired balance.

Above all other considerations, however, the City has a responsibility to existing residents to preserve the character and amenities of Milpitas that first attracted them here. It would be, therefore, inappropriate for the City to adopt housing policies that would further aggravate problems in other areas (such as the affect of increased densities on existing traffic congestion).

GOALS

The City of Milpitas recognizes that cooperative efforts by all related public and private participants in the realm of housing will be required to alleviate present and future housing problems. The City also subscribes to the belief that programs and policies for housing must be consistent with good planning principles and environmental concerns.

GOAL 1: TO ENCOURAGE THE PROVISION OF DECENT HOUSING FOR ALL PERSONS, REGARDLESS OF AGE, INCOME, RACE OR ETHNIC BACKGROUND, SEX, MARITAL STATUS OR OTHER ARBITRARY FACTORS.

POLICY 1: To continue to encourage the provision of equal housing opportunities for all Milpitanas.

ACTIONS:

1. To continue to coordinate with and refer citizens to, fair housing service agencies.
2. To continue to consider requests by fair housing service agencies for funding under the City administered Human Services Policy and the Community Development Block Grant program administered by the Urban County (of which Milpitas is a member).

POLICY 2: To eliminate housing deficiencies and prevent future blight through conservation, reconstruction and removal.

ACTIONS:

1. The City should marshal all available sources of public and private funding, for low interest housing rehabilitation loans for low and moderate income families.
2. The City should continue to maintain a program of positive code compliance to eliminate hazardous and nuisance conditions in neighborhoods.

POLICY 3: To encourage the County Housing Authority (CHA) and the Federal government to continue financial assistance to low and moderate income families to insure that all persons, regardless of income, can afford decent housing.

ACTIONS:

1. The City should encourage the CHA to continue its program of identifying property owners who are willing to rent their property to low and moderate income families who receive CHA assistance.
2. The City should provide incentives for existing rental property owners throughout the City to participate in Federal rent subsidy programs for low and moderate income families by maintaining the rehabilitation program to rental property as well as owner-occupied.

POLICY 4: To continuously review and update City building codes to incorporate modern construction techniques and materials resulting in water, sewer and energy conservation; crime and fire prevention; and seismic safety.

ACTIONS:

1. In order to insure a long, useful life for the housing stock of our community, every effort must be made to revise local building codes so as to include the most recent techniques and provisions of the code.

2. To continue to research new construction techniques and materials which result in water, sewer and energy conservation; crime and fire prevention and seismic safety.
3. The City should employ an adequate number of qualified inspectors and provide them with ongoing training.
4. Aggressive inspection programs of homes and businesses to insure code compliance should be maintained.
5. The City should encourage the State and the Public Utilities Commission to provide appropriate Financial Incentives for retro-fitting existing buildings with energy conservation devices.

POLICY 5: To develop programs by which the cost of housing can be reduced to middle income families.

ACTIONS:

1. When permissible under state and federal law, to continue to provide the opportunity and ability to sell mortgage revenue bonds to finance mortgages at reduced interest rates.
2. To work with local lending institutions to develop new financing methods, such as equity sharing, variable interest rates, etc. to help reduce the cost of home financing.
3. To continue to explore ways of providing incentives to reduce the cost of new housing such as density bonuses or interior design modifications.

POLICY 6: To pursue all available means of providing affordable housing for senior citizens.

ACTIONS:

1. The City through its Senior Housing Task Force should explore every opportunity to provide senior housing, including Federal and State grants, and tax increment revenue from redevelopment areas.
2. The City should provide technical assistance to residents of existing mobile home parks to form cooperatives.
3. The City should continue to seek funding for a mobile home rehabilitation loan/grant program.
4. The City should continue to work with the Milpitas Housing Service Center in its provision of mediation services in mobile home park rent disputes.

GOAL 2: TO ENCOURAGE THE PROVISION OF A VARIETY OF INDIVIDUAL CHOICE IN HOUSING TYPE AND LOCATION

POLICY 1: To use zoning in ways which will encourage a variety and mix in housing types and costs within new residential developments.

ACTIONS:

1. The City should include this policy within the Land Use Element of the General Plan.
2. Similar development types and densities should not be concentrated within a single area of the City, but rather geographically dispersed throughout the community.

POLICY 2: To use zoning in ways which will consider the location of housing in close proximity to new industrial developments which can be served by existing City services and facilities.

ACTIONS:

1. The City should continue to consider the location of housing in close proximity to compatible industrial development in order to reduce the negative aspects of the jobs/housing imbalance.
2. The City should continue to consider increased housing densities near commercial or industrial areas that can be served with existing City services.

POLICY 3: To plan for housing construction adequate to provide for future populations and for replacement needs, consistent with community goals.

ACTIONS:

1. The City should review replacement housing to insure that it is compatible with the existing neighborhoods and does not stress existing City facilities.

GOAL 3: TO ESTABLISH, MAINTAIN AND ENHANCE THE CHARACTER, QUALITY AND LIVABILITY OF RESIDENTIAL AREAS

POLICY 1: To provide a sufficient level of City services to maintain the livability of residential areas.

ACTIONS:

1. The level of City services should be maintained to sufficiently protect people and property from crime, fire and other conditions detrimental to the well-being of the neighborhood; maintain City streets and parks so that they are safe and clean; provide potable water and proper drainage of storm water; remove liquid and solid wastes; and insure that people have the reasonable use and enjoyment of their property.

2. The City should continue to develop incentives, financial and otherwise, to encourage property owners to maintain their property in an aesthetically pleasing condition.
3. In hillside areas, emphasis should be placed on developing standards that protect City infrastructure (streets, water, sewer and storm drain lines, etc.) from geologic hazards.
4. The City should continue to vigorously enforce the requirements of the Hillside Ordinance particularly as they apply to the determination and analysis of geologic hazards and the prohibition of construction in geologically unstable areas.

POLICY 2: To encourage sufficient open space and public and private recreational opportunity within neighborhoods to provide for the needs of residents.

ACTIONS:

1. The City should continue to require dedication of land for open space uses or in lieu cash contributions.
2. The City should encourage the construction of privately owned and maintained open space and recreational facilities wherever feasible.

POLICY 3: To encourage the use of garages and driveways for parking and thereby improve the appearance of the neighborhood.

ACTIONS:

1. The City should insure that new residential development has sufficient off-street parking.
2. The City should consider the adoption of new regulations limiting on-street parking.

GOAL 4: TO INSURE THAT FUTURE RESIDENTIAL DEVELOPMENT IS PROPERLY PLANNED SO AS TO ENHANCE THE OVERALL CHARACTER OF THE COMMUNITY

POLICY 1: To analyze new residential development proposals to determine their economic impact on Milpitas.

ACTIONS:

1. The City should utilize our new cost/revenue model by reviewing alternate land use impacts on our vacant developable lands.
2. The City should develop a five year budget to better analyze the impact of new growth and development on City services and resources.

POLICY 2: To encourage high quality site and architectural design for new residential projects.

ACTIONS:

1. The City should continue to encourage the use of Planned Unit Development (PUD) applications to encourage imaginative project design while addressing the needs of the community.

SECTION 6
HOUSING ASSISTANCE PROGRAM

Past Housing Assistance

Relative to its size, there has been a considerable amount of housing assistance provided for Milpitas residents in the past. This previous housing assistance has been summarized in Table 12:

TABLE 12
HOUSING ASSISTANCE IN MILPITAS

HOMEOWNER ASSISTANCE

<u>Program</u>	<u>No. of Units</u>
Section 235, single-family detached	45
Section 235, town house and condos	326
Section 221-d-3, single-family detached cooperative	65
CDBG Rehabilitation (since 1977) single-family detached	<u>66</u>
Total assisted units	502

RENTER ASSISTANCE

<u>Program</u>	<u>No. of Units</u>
Construction Assistance:	
Section 236 (Sunnyhills Apts.)	171
Rental rehabilitation (with Moderate rehab)	4
Rental Subsidy:	
Existing Section 8 rent subsidies	<u>151</u>
Total assisted units	326

OTHER ASSISTANCE

<u>Program</u>	<u>No. of Units</u>
Incentive grants	43
Smoke detectors	400
Bank of America home improvement grants	<u>115</u>
Total assisted units	558

Source: City of Milpitas, Community Assistance Division

Housing Assistance Program Objectives

In accordance with Government Code Section 65583, the City of Milpitas has estimated that a total of 966 dwelling units will be provided for low and moderate income households through City housing assistance efforts by 1989. In addition, another 1,553 unassisted housing units would be constructed by 1990 City-wide.

The projection does not meet ABAG's fair share estimate of 1,470 units for low and moderate income households nor ABAG's estimated need for 3,970 units overall in Milpitas by 1989 (discussed in Section 3 "Needs Assessment") for a variety of reasons including:

- The lack of available and affordable land for residential development.
- Unpredictable economy and housing market.
- Possible political concerns associated with locating new construction assisted housing on an infill site.
- Restrictions related to and dependency on available Federal and State programs and funding.

The programs and funding sources that will contribute to housing assistance objectives and the achievement of the five year goals are discussed in the following sections.

Community Development Block Grant Funding (CDBG)

The City of Milpitas currently participates and receives funding as a member of the Urban County under the Federal Community Development Block Grant program. The Urban County is composed of seven cities in Santa Clara County with populations less than 50,000. In this capacity, Milpitas will be involved in the following activity areas funded by Block Grant monies:

- 1) The Housing Rehabilitation Program provides low interest loans and grants to rehabilitate owner-occupied single-family homes in selected target areas of the City. Under the program, Milpitas expects to provide assistance to 50 low and moderate income households within the next five years.
- 2) The Rental Rehabilitation Program provides low interest loans to acquire and/or rehabilitate rental properties. The City expects to provide loans for four more low income units by 1989.
- 3) Mobile Home Rehabilitation was a program previously adopted by the City. However, prior to implementation the Federal Department of Housing & Urban Development (HUD) ruled that only structures with permanent foundations were eligible for assistance using federal funds. Until that ruling is rescinded, Milpitas will be unable to provide rehabilitation assistance for mobile homes under the Block Grant program.
- 4) As a member of the Urban County, Milpitas participates in the funding of other programs related to the provision of housing. The amount and distribution of funding to these projects is dependent on Block Grant resources, individual program performance and future application submittals. Some of the programs currently receiving financial assistance from the Urban County include:

- A) The Fair Housing Consortium, composed of six non-profit agencies that provide a variety of assistance relating to equal housing opportunities. The services provided by the following agencies are not conducive to quantification of five year objectives:
 - 1. Milpitas-San Jose Housing Service Center
 - 2. Disability Law Center
 - 3. Asian Law Alliance
 - 4. Operation Sentinel
 - 5. Mental Health Advocacy
 - 6. Mid-Peninsula Citizens for Fair Housing
 - B) Shared Housing and Project Match, two non-profit agencies that provide assistance in establishing shared living arrangements.
 - C) Housing for Independent People, a non-profit program that develops and rehabilitates housing for disabled individuals. Agency staff estimates about 4 Milpitas households will receive rehabilitation assistance by 1989.
 - D) Access California, a non-profit service that will renovate a residence so it is accessible for the low income and disabled occupant. It is estimated that approximately one Milpitas resident will qualify for the program each year resulting in 5 units receiving assistance by 1989.
 - E) The Citizens Home Energy Conservation Program (CHEC), which provides weatherizaton services for low income owner- or renter- occupied housing units. It's estimated that between now and 1989 about 175 low income households will receive weatherization work by CHEC on their homes.
 - F) The Emergency Housing Consortium, a non-profit agency that provides housing on a temporary basis to the homeless or those in need of emergency transitional housing in Santa Clara County.
- 5) The Jobs Bill provided funding under the CDBG Program, for job creation and community improvement purposes in Milpitas. Two projects, administered by the City using Jobs Bill funding will improve the quality of life and livability of the residential neighborhoods they are located in. The Selwyn mini-park improvements included new landscaping and equipment replacement in an older rental neighborhood. These improvements, in conjunction with a recent rehabilitation of a four-plex (using both CDBG & Moderate Rehab Section 8 financing assistance) is expected to encourage the maintenance of apartment buildings in the area. In addition, street tree trimming, by Jobs Bill employees, is targeted for other low and moderate income residential neighborhoods. The future use of Jobs Bill funding for housing related services under the Block Grant program is subject to funding allocations and program continuance as determined by the Federal government.
- 6) The Urban County, of which Milpitas is a member, has prepared a cooperative \$30,000,000 issue of tax-exempt Multi-Family Housing Bonds as authorized by State law. - Twenty percent of the rental units financed under the program must be occupied by low-income households. Milpitas has also adopted a resolution authorizing the use of the money in the City in the event a developer were to request the financial assistance and had a City approved project.

Redevelopment Agency Funding

California Redevelopment Law (Section 3334.2 of the Health & Safety Code) requires that 20% of the tax increment funds derived from redevelopment areas must be used for low and moderate income housing purposes. The money may be used for a variety of activities including land acquisition, construction financing and individual housing cost subsidies. The City estimates that \$4 million of Redevelopment tax increment monies could be available for housing purposes by 1989.

Recently, Milpitas City Council created a Senior Citizen Housing Task Force to explore low and moderate income housing project alternatives using Redevelopment funds. A consultant, to assist the Task Force and to carry out the implementation of any housing projects resulting from the Task Force's work, has also been enlisted by the City to provide technical assistance.

The Housing Task Force's study is only in the preliminary stages and an estimate regarding low and moderate income housing assistance using Redevelopment funding is premature. However, for the purposes of establishing a five-year goal and with the recognition that the projection is subject to changes, it is anticipated that the Redevelopment Agency could provide the following housing assistance between 1984-1989:

<u>Program</u>	<u>No. Dwelling Units</u>
Owner rehabilitation:	20
Rental rehabilitation:	10
Low & moderate income rental new construction:	75-100
TOTAL:	105-130

Mortgage Revenue Bonds

Milpitas has provided for the issuance of mortgage revenue bond funding for 532 dwelling units as allowed under State and Federal law. The tax-exempt bonds provide mortgage financing assistance for low and moderate income home-buyers (less than 150% of County median income) of approved new construction housing projects. Further use of mortgage revenue bonds is contingent on State and Federal lawmakers continuing to provide enabling legislation.

Federal Revenue Sharing

Using Federal Revenue Sharing proceeds, Milpitas has provided a mechanism for funding assistance to human service providers. To be eligible for assistance an agency must meet the criteria of the adopted Human Services Policy. The Milpitas Housing Service Center has not applied for funding under this program previously but is presently requesting financial assistance for the next fiscal year (1984-85). The Milpitas Housing Service Center operates an office within the City and provides tenant/landlord counseling, legal services, housing discrimination assistance and default and foreclosure counseling. In addition, in response to a request by the Milpitas City Council, the Housing Service Center will perform mediation services for rental disputes in local mobile home parks. At this point in time, it is not known if the Milpitas Housing Service Center will receive Federal Revenue Sharing monies from the City. (The Housing Service Center presently receives CDBG funding from the Urban County, of which Milpitas is a member.)

Santa Clara County Housing Authority

In addition to the previously discussed housing programs and services funded by the City from a variety of sources, Milpitas identifies and refers those individuals needing assistance to the Santa Clara County Housing Authority. The Housing Authority administers a variety of programs under Federal funding. The Moderate Rehabilitation Program, for instance, provides financial assistance to rehabilitate rental properties and provides Section 8 rent supplements to the low income occupants. The Moderate Rehabilitation Program has been used previously in Milpitas in conjunction with the City administered Rental Rehabilitation Program.

The County Housing Authority also administers the Federal Section 8 Rent Subsidy Program for low income households in Milpitas. It is estimated that approximately 151 Milpitas residents currently benefit from the program.

Other Existing Local Programs & Legislation to Assist in Development of Low & Moderate Income Housing

Following are other existing programs and legislation that are funded by Milpitas or provide on-going regulatory concessions or incentives to assist in the development of low and moderate income housing.

The City expects to continue maintaining an existing Code Compliance program through 1989. The program responds to complaints and will issue citations, if necessary, for code non-compliance. The service, including staff and transportation, is financed from the City general fund.

Existing City ordinances that specifically address the provision and preservation of low and moderate income housing include the following:

1. Condominium conversions (Section XI-10-7.14). Conversions of apartments to condominiums are regulated through this ordinance and are not allowed to take place unless two-thirds of the units of the complex agree in writing to the conversion and the local apartment vacancy rate exceeds 6 percent. This ordinance helps preserve the existing rental stock in the City which provides a large share of housing for low and moderate income households.
2. Accessory units in "R1" districts (Section XI-10-4.04-4). The City allows a second family unit on a lot zoned "R1" Single-Family Residential subject to specific criteria. This ordinance provides homeowners with the ability to convert and rent out a portion of their home as a second unit providing an affordable housing source for low and moderate income individuals.
3. Manufactured housing in residential districts (Section XI-10-54.14). The City recognizes that mobile homes can be a source of affordable housing for lower income households and through this ordinance allows mobile homes on lots zoned "R1" Single-Family Residential or "AR" Agricultural Residential.

Besides legislation, Milpitas has adopted policies and taken actions to encourage the development of low and moderate income housing in the following ways:

1. "R1-2.5" Zoning District - Under the land use designation of Single-Family Moderate, four different zoning districts are allowed with minimum lot sizes ranging from 2,500 sq. ft. to 5,000 sq. ft. However, the district that allows the highest and most desirable density (from a developer's point of view) is the "R1-2.5" district permitting up to 15 units to the gross acre. This zoning is only allowed by the City if certain criteria are met, one of which requires the applicant to demonstrate that the higher density will result in a more affordable housing project.
2. Mortgage Revenue Bonds - As previously mentioned, the City has initiated and provided for the issuance of mortgage revenue bond funding. Under these programs first-time homebuyers receive financing assistance. There are no minimum income limitations so low and moderate income individuals are also eligible to benefit from the programs.

The City continues to encourage the use of mortgage revenue bonds by housing developers. Milpitas has also cooperated with the Urban County (under the Block Grant Program) in the issuance of tax-exempt multi-family housing bonds to finance the construction of rental unit projects within the Urban County. Twenty percent of the financed units must be occupied by low income households.

Lastly, State law provides regulations that address and provide, or have the potential of providing, low and moderate income housing for the City.

1. The State regulates the placement of "half-way houses" to provide group living arrangements in a residential setting. Milpitas expects to maintain its existing population of thirteen group homes for seniors, teen-agers, and the mentally disabled. Though no known studies have been performed it is assumed that the majority of these individuals living in half-way houses are low income.
2. Under Government Code SS 65915-65918 the State requires the City to provide a density bonus if a developer agrees to construct at least 25% of the units in a project affordable to low and moderate income households, or 10% for low income households. The bonus means a minimum 25% density increase over the otherwise allowable density or other types of bonuses of equivalent financial value.

Potential Housing Programs

As staffing and funding allows, the City will continue to investigate alternative housing programs and funding.

Energy Conservation Opportunities

The cost of energy can be a significant factor contributing to shelter expenses. The cost of heating and operating a home can also be expected to continue increasing in the years to come. Milpitas is addressing the following strategies to provide energy conservation opportunities:

- 1) Weatherization (insulation, weatherstripping, etc.) is a home improvement that can be undertaken in the Housing Rehabilitation Program.

- 2) Where appropriate, low-income households can be referred to Citizens Home Energy Conservation Program (CHEC) for home weatherization improvements or to the Salvation Army for emergency assistance with utility bills.
- 3) Referrals can be made to PG&E for their various energy conservation programs including Zero Interest Loans for weatherization home improvements.
- 4) A 50 percent discount for Milpitas water customers over 62 years old is available.
- 5) California Title 24 Building Standards establishing energy conservation standards for new construction will continue to be enforced.

Five Year Housing Program Schedule

Following is a matrix clarifying the major activity areas under Milpitas' five year housing program (1984-1989):

FIVE YEAR HOUSING PROGRAM SCHEDULE

<u>Program</u>	<u>Time Frame</u>	<u>Funding</u>	<u>Responsible Agency</u>
1. Housing Rehabilitation	Ongoing	CDBG	City
2. Rental Rehabilitation	Ongoing	CDBG	City
3. Moderate Rental Rehabilitation	Ongoing	Housing Authority	City & Housing Authority
4. Housing Rehabilitation (New)	Start Up Prior to 1989	Redevelopment Agency	City
5. Rental Rehabilitation (New)	Start Up Prior to 1989	Redevelopment Agency	City
6. Rental New Construction	Start Up Prior to 1989	Redevelopment Agency	City
7. Mortgage Revenue Bonds	Ongoing	Bond Issue	City & Applicant
8. Multi-Family Housing Bonds	Ongoing	County Bond Issue	City & Urban County
9. Rehabilitation for Disabled	Ongoing	Partial CDBG	Housing for Independent People & Access California
10. Housing Weatherization	Ongoing	Partial CDBG	Citizens Home Energy Conservation Program (CHEC)
11. Code Compliance Program	Ongoing	General Fund	City

U.C. BERKELEY LIBRARIES



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